



AUREA MINING INC.

Interim Unaudited Financial Statements

Six months ended:

June 30, 2005

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AUREA MINING INC. ("The Issuer")

Re. Interim Unaudited Financial Statements

For the six months ended: June 30, 2005

**NOTICE THAT FINANCIAL STATEMENTS
HAVE NOT BEEN REVIEWED BY AN AUDITOR**

The Issuer's auditors have not reviewed or been involved in the preparation of these financial statements.

AUREA MINING INC.CONSOLIDATED BALANCE SHEETS
(Canadian Dollars)

	Jun. 30, 2005 (Unaudited)	Dec. 31, 2004 (Audited)
ASSETS		
Current		
Cash	\$ 493,687	\$ 53,816
Receivables	73,267	44,265
Prepaid expenses	17,564	921
	<u>584,518</u>	<u>99,002</u>
Equipment (Note 4)	13,854	16,440
Mineral properties (Note 5)	783,687	437,242
	<u>\$ 1,382,059</u>	<u>\$ 552,684</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 128,612	\$ 174,213
Promissory note payable (Note 6)	-	115,615
Convertible loan payable (Note 7)	-	143,092
	<u>128,612</u>	<u>432,920</u>
Shareholders' equity		
Capital stock (Note 8)	2,317,031	1,041,020
Commitment to issue shares (Notes 7&8)	143,092	4,425
Contributed surplus (Note 8)	532,316	-
Deficit	(1,738,992)	(925,681)
	<u>1,253,446</u>	<u>119,764</u>
	<u>\$ 1,382,059</u>	<u>\$ 552,684</u>

Nature and continuance of operations (Note 1)
Subsequent events (Note 15)

On behalf of the Board:

(Signed):

"Enrique R. Miranda-Paz"

"Richard O.C. Whittall"

Director

Director

AUREA MINING INC.**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**
(Unaudited - Canadian Dollars)

	Six months ended	Three months ended	From incorporation on March 22, 2004 to
	Jun. 30, 2005	Jun. 30, 2005	Jun. 30, 2004
REVENUE			
Interest income	<u>\$ 4,173</u>	<u>\$ 3,575</u>	<u>\$ -</u>
EXPENSES			
Amortization	2,586	1,293	208
Foreign exchange loss	5,363	(5,930)	2,222
Investor relations	42,143	38,742	-
Office and administration	60,223	31,130	25,075
Professional fees	105,498	43,157	11,909
Regulatory and transfer agent fees	39,249	36,471	5,971
Stock compensation expense (Note 8)	532,316	182,736	-
Sponsorship (Note 14)	30,106	15,106	-
	<u>817,484</u>	<u>342,705</u>	<u>45,385</u>
Loss for the period	(813,311)	(339,130)	(45,385)
Deficit, beginning of period	(925,681)	(1,399,862)	-
Excess of liabilities over assets acquired	-	-	(723,241)
Deficit, end of period	<u>\$ (1,738,992)</u>	<u>\$ (1,738,992)</u>	<u>\$ (768,626)</u>
Basic and diluted loss per share	(0.03)	(0.01)	(0.01)
Weighted average number of shares outstanding	32,054,878	33,513,240	23,792,180

Comparative periods: please see Note 2

AUREA MINING INC.**CONSOLIDATED STATEMENT OF CASH FLOWS**
(Unaudited - Canadian Dollars)

	Six months ended	Three months ended	From incorporation on March 22, 2004 to Jun. 30, 2004
	Jun. 30, 2005	Jun. 30, 2005	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	\$ (813,311)	\$ (339,130)	\$ (45,385)
Items not affecting cash:			
Amortization	2,586	1,293	208
Change in foreign exchange on convertible loan payable	-	(2001)	
Stock compensation expense (<i>Note 8</i>)	532,316	182,736	-
Changes in non-cash working capital items:			
Increase in receivables	(29,002)	(17,865)	(7,098)
Increase in prepaid expenses	(16,643)	(6,867)	(7,429)
Increase (decrease) in accounts payable and accrued liabilities	(45,601)	11,464	(6,670)
Net cash used in operating activities	<u>(369,655)</u>	<u>(170,370)</u>	<u>(66,374)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES			
Issuance of capital stock	1,271,586	-	28,020
Advances	-	-	195
Repayment of loan	(115,615)	(115,615)	-
Net cash provided by (used in) financing activities	<u>1,155,971</u>	<u>(115,615)</u>	<u>28,215</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on mineral properties	(346,444)	(202,022)	(64,022)
Cash acquired on acquisition	-	-	446,977
Acquisition of equipment	-	-	(16,575)
Net cash provided by (used in) investing activities	<u>(346,444)</u>	<u>(202,022)</u>	<u>366,380</u>
Change in cash during the period	439,871	(488,007)	328,221
Cash, beginning of period	53,816	981,694	-
Cash, end of period	493,687	493,687	328,221
Cash paid for interest	558	375	-
Cash paid for income taxes	-	-	-

Comparative periods: please see Note 2

AUREA MINING INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited, prepared by management) June 30, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the provisions of the Company Act of British Columbia on June 8, 1988. The Company's shares were delisted from the TSX Venture Exchange ("TSX-V") effective June 5, 2002 for failure to pay its annual sustaining fees. During fiscal 2004, the Company changed its name from Olly Industries Inc. to Aurea Mining Inc. On May 14, 2004, the Company completed a share exchange with the shareholders of Minera Aurea, S.A. de C.V. (formerly Minera Ottawa, S.A. de C.V.(t)) ("Minera") (Note 3). The Company is now in the business of acquiring and exploring mineral property interests in Mexico. To date, the Company has not generated any significant revenues from operations and is considered to be an exploration stage company.

These unaudited interim financial statements are prepared by management from the records of the Company, and **have not been reviewed by the auditor of the Company**. While management believes that the disclosures presented are adequate to make the information not misleading, **these financial statements and notes should be read in conjunction with the Company's most recent annual financial statements**.

These interim financial statements follow the same accounting policies and methods of their applications as the Company's most recent annual financial statements.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete equity financings, or generate profitable operations in the future.

	June 30, 2005	December 31, 2004
Deficit	\$ (1,738,992)	\$ (925,681)
Working capital (deficiency)	455,906	(333,918)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of Minera for the period from January 1, 2005 to June 30, 2005. As Minera was incorporated on March 22, 2004 and the Company on May 14, 2004, there are no comparative figures for the period from January to March of 2004; Minera did not have any significant activity from March 22, 2004 to March 31, 2004. Significant inter-company transactions and balances have been eliminated upon consolidation.

AUREA MINING INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited, prepared by management)

June 30, 2005

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

Vehicle	20%
Computer equipment	30%
Furniture and fixtures	20%

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost less option payments received and other recoveries. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined that there is impairment in value. These costs will be amortized over the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The Company defers all direct exploration and field office expenses relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined that there is impairment in value. These costs will be amortized over the proven reserves available on the related property following commencement of production.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Cost of maintaining mineral properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

AUREA MINING INC.

NOTES TO FINANCIAL STATEMENTS

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June 30, 2005

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Stock-based compensation

The Company has adopted the fair value-based methodology for measuring compensation costs whereby the Company recognizes the fair value of compensation costs for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Foreign currency translation

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in loss for the period.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the period presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

AUREA MINING INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited, prepared by management)

June 30, 2005

3. ACQUISITION

Please refer to note No. 3 to the audited financial statements dated December 31, 2004.

4. EQUIPMENT

	June 30, 2005			Dec 31, 2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Vehicle	\$ 9,936	\$ 2,691	\$ 7,245	\$ 8,486
Computer equipment	8,822	2,575	6,247	7,571
Furniture and fixtures	396	34	362	383
	\$ 19,154	\$ 5,298	\$ 13,854	\$ 16,440

5. MINERAL PROPERTIES

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

	Properties			Total
	El Coyote	Ottawa	Under Application	
Acquisition costs:				
Balance, beginning of period	13,088	6,980	62,466	82,534
Additions	3,790	1,839	6,739	12,368
Balance, end of period	16,878	8,819	69,205	94,902
Exploration costs:				
Balance, beginning of period	160,888	92,171	101,649	354,708
Project development and administration	5,825	5,825	52,423	64,073
Field surveys	177,981	9,484	18,017	205,482
Remuneration	3,160	3,159	28,433	34,752
Surveying works	-	-	5,354	5,354
Other	8,901	1,848	13,658	24,415
Balance, end of period	356,764	112,487	219,534	688,784
Total costs	373,642	121,306	288,739	783,687

AUREA MINING INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited, prepared by management)

June 30, 2005

El Coyote Property, Mexico

The El Coyote property is comprised of one 100% owned exploration claim located in central Guerrero State, Mexico and was acquired from a company controlled by a director of the Company in contemplation of the acquisition described in Note 3. The vendors retain a 2.5% Net Smelter Returns ("NSR") royalty.

Ottawa Property, Mexico

The Ottawa property is comprised of one 100% owned exploration claim located in central Guerrero State, Mexico and was acquired from a company controlled by a director of the Company in contemplation of the acquisition described in Note 3. The vendors retain a 2.5% NSR royalty.

Properties under application

These costs represent expenditures, which primarily relate to the acquisition and registration of new mineral property interests. Upon registration these costs will be allocated to individual properties. If the Company is unable to successfully register a claim the related cost will be charged to operations. Rights to these claims were acquired from a company controlled by a director of the Company. The vendors retained a 2.5% NSR royalty.

6. PROMISSORY NOTE PAYABLE

Concurrently with the 2004 acquisition described December 2004 audited financial statements, the Company settled a promissory note in the amount of \$615,615 by issuing 2,500,000 common shares at a value of \$0.20 per share for a total of \$500,000 and a new promissory note in the amount of \$115,615. This promissory note was paid in full on April 25, 2005.

7. CONVERTIBLE LOAN PAYABLE

During the previous fiscal year, the Company entered into a convertible demand loan of \$147,517 (US \$120,000) which was non-interest bearing and convertible at a price of \$0.10 per share. Of the total amount, \$131,044 (US \$106,600) was due to a company controlled by a director, to a director and to an officer of the Company. The loan was subject to conversion on demand at any time by the lenders until December 31, 2008. As of December 31, 2004, certain debt holders had exercised their right of conversion of a principal balance of \$4,425 (US \$3,600) in exchange for a commitment to issue 44,255 shares; these shares were issued during the period (Note 8). The remaining shareholders exercised their right of conversion of the remaining amount of \$143,092, and thus the company had an obligation to issue 1,430,916 common shares as at June 30, 2005. These shares were issued on July 1, 2005, subsequent to the end of the period.

AUREA MINING INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited, prepared by management)

June 30, 2005

8. CAPITAL STOCK

Capital Stock (Common shares issued and outstanding)	Number of Shares	Amount
Authorized Unlimited common shares without par value		
As at December 31, 2003	15,834,015	\$ -
Consolidation: 25 for 1	(15,200,655)	-
Balance, post consolidation	633,360	-
Initial capitalization of Minera	-	6,020
Shares issued pursuant to acquisition	20,000,000	-
Private placements	5,349,998	535,000
Shares issued for settlement of promissory note	2,500,000	500,000
As at December 31, 2004	28,483,358	1,041,020
Private placements	4,977,718	1,271,586
Exercise of convertible loan *	44,255	4,425
Commitment to issue shares on exercise of convertible loan *	1,430,916	143,092
As at June 30, 2005	34,936,247	\$ 2,460,123

* Note 7.

Shares in escrow as at June 30, 2005: 19,854,824 (please see further discussion after the warrants table, below).

Share purchase Warrants	Number	Exercise Price	Expiry Date
Balance, May 14, 2004	-		
In connection to private placement of 4,599,998 units at a price of \$0.10 per unit, each unit consisting of one common share and one half share purchase warrant:	2,299,999	\$0.35	May 6, 2006
In connection to private placement of up to 750,000 units at a price of \$0.10 per unit, each unit consisting of one common share and one half share purchase warrant:	375,000	\$0.35	June 1, 2006
Balance, December 31, 2004	2,674,999	\$0.35 *	
In connection to the private placement of 4,977,718 units at a price of \$0.26 per unit, each unit consisting of one common share and one half share purchase warrant:	2,488,859	\$0.40	June 29, 2006
Balance, June 30, 2005	5,163,858	\$0.37 *	

* Weighted average exercise price

AUREA MINING INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited, prepared by management)

June 30, 2005

Warrants in escrow as at June 30, 2005: 283,500

As a requirement for listing on the TSX Venture Exchange, the Company entered into an escrow agreement on June 21, 2005 with some of its insiders and the Company's Transfer Agent, Pacific Corporate Trust Company, whereby an aggregate of 22,060,916 common shares and 283,500 share purchase warrants would be held in escrow by the Transfer Agent. The agreement's escrow release schedule provides for an immediate release of 10% of the shares and warrants held in escrow (2,206,092 and 31,500, respectively), with further releases of 15% of the amount every six months thereafter.

Stock options

The Company has shareholder approval for a stock option plan that provides for the issuance of up to 10% of the issued and outstanding shares at the time of each grant. This plan is subject to regulatory approval.

The following stock options were granted during the period:

Stock Options	Number	Exercise Price	Expiry Date
Balance, December 31, 2004	Nil	-	-
Granted:	2,200,000	0.26	January 21, 2010 and March 31, 2010
Granted	1,150,000	0.26	June 15, 2010
Balance, June 30, 2005	3,350,000	0.26	

The Company adopted the fair value method for stock options granted to employees and consultants. During the six month period ended June 30, 2005, the Company granted an aggregate of 3,350,000 to directors and officers and charged \$532,316 of stock-based compensation expense to operations. The weighted average remaining contractual life as at the date of these statements is 4.72 years.

The weighted average fair value of the options granted during the six month period ended June 30, 2005 was \$0.1589 per option using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 3.5%; dividend yield 0%; volatility of 71.32%; and expected life of approximately 5 years.

9. RELATED PARTY TRANSACTIONS

The following related party transactions took place during the six months ended June 30, 2005:

- The Company paid \$18,125 in accounting and administration services to a company controlled by the Chief Financial Officer of the Company.
- The Company paid \$10,529 in administrative support services provided to Minera by a company controlled by the Chief Executive Officer of the Company.
- The Company paid \$41,623 (US \$33,545.02) to a company controlled to by the Chief Executive Officer of the company in repayment of expenses incurred at cost for the acquisition of mineral claims.

AUREA MINING INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited, prepared by management) June 30, 2005

- The 3,350,000 stock options with an exercise price of \$0.26 per share indicated in Note 8 were all granted to directors and officers of the Company.
- As indicated by Note 7 above regarding the convertible loan, a total amount, \$131,044 (US \$106,600) was settled through the commitment to issue 1,310,444 common shares to a company controlled by a director, to a director and to an officer of the Company. These shares were issued in July 2005.
- Also see Note 13, below.

Included in accounts payable and accrued liabilities as at June 30, 2005 are the following amounts:

- \$11,130 due to a company controlled by the Chief Executive Officer of the Company for administrative support services provided to Minera.
- \$4,322 due to a company controlled by the Chief Financial Officer of the Company for administration and accounting services provided to the Company (\$3,500), and expenses incurred on behalf of the Company (\$822).

10. INCOME TAXES

Please refer to the previously published annual audited financial statements for the period ended December 31, 2004. There is no tax analysis during this interim period.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise stated.

12. SEGMENTED INFORMATION

The Company operates in one business segment, being the acquiring and exploring of mineral properties, in Mexico.

13. COMMITMENT

The Company entered into an employment agreement with an officer of the Company. The Company agreed to pay the officer US \$4,600 per month for a minimum of two years to June, 2006.

AUREA MINING INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited, prepared by management)

June 30, 2005

14. TRADING OF SHARES

On June 29, 2005, the Company's shares began trading on the TSX Venture Exchange as a Tier 2 company, under the trading symbol "MXA". The listing of the Company was sponsored by Bolder Investment Partners Ltd., of Vancouver, British Columbia.

15. SUBSEQUENT EVENTS

As indicated on note 7 above, 1,430,916 common shares at \$0.10 were issued in full settlement of the outstanding balance of US \$116,400 of a convertible debt. These shares will remain in escrow pursuant to the Company's Escrow Agreement.

On July 18, 2005, the Company announced completion of over 2,300 hectares of regional surface geological mapping on its El Consorcio claim, part of the 100% owned Aurea Sur project located in Guerrero State, Mexico. Please refer to this press release for more information, available on the Company's website at www.aureamining.com, or on the SEDAR website at www.sedar.com. Please also refer to the Management Discussion and Analysis corresponding to this period for further disclosure.

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