

**International Enexo Limited**

(An Exploration Stage Company)

Consolidated Financial Statements

June 30, 2010

**(Unaudited, See Advisory to Reader)**

# **International Enexco Limited**

#2080 - 777 Hornby Street, Vancouver, BC, V6Z 1S4  
Tel: (604) 683-7361 Fax: (604) 662-3231

## **Advisory to Reader**

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an auditor.

**International Enexo Limited**  
**(An Exploration Stage Company)**  
**Consolidated Balance Sheet**  
**(Unaudited, See Advisory to Reader)**

	<b>June 30, 2010</b>	December 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	\$ 4,804,423	\$ 5,597,657
Accounts receivable and accrued interest	15,542	6,185
Prepaid expenses and deposits	<u>8,678</u>	<u>12,763</u>
	<b>4,828,643</b>	<b>5,616,605</b>
<b>Equipment, net (Note 5)</b>	<b>881,934</b>	<b>1,017,392</b>
<b>Reclamation deposit</b>	<b>253,488</b>	<b>250,248</b>
<b>Mineral property interests (Note 6)</b>	<u><b>12,997,592</b></u>	<u><b>13,096,321</b></u>
	<u><b>\$ 18,961,657</b></u>	<u><b>\$ 19,980,566</b></u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 123,563	\$ 104,710
Asset retirement obligation (Note 6(g))	<u>25,000</u>	<u>25,000</u>
	<u><b>148,563</b></u>	<u><b>129,710</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 7)</b>	<b>33,952,312</b>	<b>33,952,312</b>
<b>Contributed Surplus (Note 7)</b>	<b>2,851,036</b>	<b>2,838,286</b>
<b>Deficit</b>	<u><b>(17,990,253)</b></u>	<u><b>(16,939,742)</b></u>
	<u><b>18,813,095</b></u>	<u><b>19,850,856</b></u>
	<u><b>\$ 18,961,658</b></u>	<u><b>\$ 19,980,566</b></u>

**Approved by the Board:**

**" G. A. ARMSTRONG "**  
 Director

**" D. FREDERIKSEN "**  
 Director

**International Enexco Limited**  
**(An Exploration Stage Company)**  
**Consolidated Statement of Deficit and Accumulated Comprehensive Income**  
**(Unaudited, See Advisory to Reader)**

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	<b>June 30, 2010</b>	December 31, 2009
<b>Deficit, beginning of year</b>	<b>\$ (16,939,742)</b>	\$ (14,948,748)
<b>Net loss</b>	<b><u>(1,050,511)</u></b>	<u>(1,990,994)</u>
<b>Deficit, end of period</b>	<b><u>\$ (17,990,253)</u></b>	<u>\$ (16,939,742)</u>
<b>Accumulated Comprehensive Income, beginning of year</b>	<b>\$ -</b>	\$ 8,500
Change in unrealized gains and losses on available-for-sale financial assets	<u>-</u>	<u>(8,500)</u>
<b>Accumulated Comprehensive Income, end of year</b>	<b><u>\$ -</u></b>	<u>\$ -</u>

**International Enexo Limited**  
**(An Exploration Stage Company)**  
**Consolidated Statement of Loss and Deficit**  
**(Unaudited, See Advisory to Reader)**

	Three months ended		Six months ended	
		June 30		June 30
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Expenses</b>				
Advertising and promotion (Note 7(b))	\$ 12,113	\$ 18,724	\$ 21,401	\$ 43,089
Amortization	69,413	8,506	139,584	16,526
Filing fees and shareholders services	7,979	10,848	16,085	21,402
Consulting fees (Note 7(b))	4,190	-	6,512	-
Property investigation	40,517	35,643	71,990	65,171
Insurance	32,178	27,339	37,323	38,412
Foreign exchange loss (gain)	(202,039)	27,929	(50,582)	1,630
Management fees	15,000	12,000	30,000	24,000
Office rental	22,328	24,011	44,442	49,169
Supplies and administration	18,956	16,224	50,154	43,148
Professional fees	40,113	27,945	49,212	38,133
Repairs and maintenance	15,746	-	34,200	-
Travel	2,259	7,552	14,291	16,877
Salary and benefits (Note 7(b))	121,520	109,372	220,170	237,308
Vehicle expenses	9,433	665	14,350	1,037
<b>Net loss before other items</b>	<u>(209,706)</u>	<u>(326,758)</u>	<u>(699,132)</u>	<u>(595,902)</u>
<b>Other items:</b>				
Petroleum and natural gas royalties, net	11,774	2,578	19,717	10,144
Loss on disposal of equipment	-	(18,262)	-	(18,262)
Write-off of mineral property interest	(380,371)	483	(380,371)	(34,281)
Interest and other income, net	6,724	32,379	22,337	106,690
Reclamation costs	(12,554)	(5,616)	(13,062)	(5,616)
<b>Net loss before tax</b>	<u>(584,133)</u>	<u>(315,196)</u>	<u>(1,050,511)</u>	<u>(537,227)</u>
Future income tax (recovery)	-	-	-	(117,000)
Income tax (recovery)	-	-	-	-
<b>Net loss</b>	<u>(584,133)</u>	<u>(315,196)</u>	<u>(1,050,511)</u>	<u>(420,227)</u>
<b>Deficit, beginning of period</b>	<u>(17,406,120)</u>	<u>(15,053,779)</u>	<u>(16,939,742)</u>	<u>(14,948,748)</u>
<b>Deficit, end of period</b>	<u>\$ (17,990,253)</u>	<u>\$ (15,368,975)</u>	<u>\$ (17,990,253)</u>	<u>\$ (15,368,975)</u>
<b>Earnings (loss) per share</b>	<u>\$ (0.03)</u>	<u>\$ 0.01</u>	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>
<b>Weighted Average Number of Shares Outstanding</b>	<u>22,563,077</u>	<u>22,553,077</u>	<u>22,563,077</u>	<u>22,553,077</u>
<b>Other Comprehensive Income:</b>				
Net loss	\$ (584,133)	\$ (315,196)	\$ (1,050,511)	\$ (420,227)
Change in unrealized gains and losses on available-for-sale financial assets	-	2,720	-	6,460
<b>Other comprehensive income (loss)</b>	<u>-</u>	<u>2,720</u>	<u>-</u>	<u>6,460</u>
<b>Comprehensive income (loss)</b>	<u>\$ (584,133)</u>	<u>\$ (312,476)</u>	<u>\$ (1,050,511)</u>	<u>\$ (413,767)</u>

**International Enexo Limited**  
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**Consolidated Statement of Cash Flows**  
**(Unaudited, See Advisory to Reader)**

	Three months ended		Six months ended	
	<u>2010</u>	<u>June 30</u> <u>2009</u>	<u>2010</u>	<u>June 30</u> <u>2009</u>
<b>Cash flows from operating activities</b>				
Net loss	\$ (584,133)	\$ (315,196)	\$ (1,050,511)	\$ (420,227)
Adjustments non-cash items:				
Amortization	69,413	8,506	139,584	16,526
Write-off of mineral property	380,371	(483)	380,371	34,281
Loss on disposal of equipment	-	18,262	-	18,262
Future income tax (recovery)	-	-	-	(117,000)
Stock-based compensation	-	-	12,750	-
	<u>(134,349)</u>	<u>(288,911)</u>	<u>(517,806)</u>	<u>(468,158)</u>
<b>Changes in non-cash working capital</b>				
Accounts receivable and accrued interest	(13,492)	177,800	(9,357)	180,774
Prepaid expenses and deposits	(69)	(759)	(4,085)	1,506
Accounts payable and accrued liabilities	23,327	(138,999)	18,853	(185,302)
	<u>(124,583)</u>	<u>(250,869)</u>	<u>(512,395)</u>	<u>(471,180)</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of equipment	11,521	2,046	11,521	2,046
Asset retirement deposit	-	(38,824)	-	(38,824)
Expenditures on mineral properties	(153,261)	(750,260)	(280,782)	(2,232,466)
Purchase of capital assets	(7,230)	(10,432)	(11,578)	(11,022)
	<u>(148,970)</u>	<u>(797,470)</u>	<u>(280,839)</u>	<u>(2,280,266)</u>
<b>Cash flows from financing activities</b>				
Shares issued	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net increase (decrease) in cash</b>	<b>(273,553)</b>	<b>(1,048,339)</b>	<b>(793,234)</b>	<b>(2,751,446)</b>
<b>Cash - beginning of period</b>	<b>5,077,976</b>	<b>9,353,809</b>	<b>5,597,657</b>	<b>11,056,916</b>
<b>Cash - end of period</b>	<b>\$ 4,804,423</b>	<b>\$ 8,305,470</b>	<b>\$ 4,804,423</b>	<b>\$ 8,305,470</b>

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**For the period ended June 30, 2010**

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**1. Nature of Operations**

The Company is an exploration stage public company. International Enexco Limited was incorporated under the Company Act (British Columbia) and is primarily involved in the acquisition, exploration and development of mineral properties.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non compliance with regulatory requirements.

At June 30, 2010, the Company had working capital of \$4,680,080 (2009 - \$8,229,994) and an accumulated deficit of \$17,990,254 (2009 - \$15,368,975). Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and meet its liabilities for the ensuing year as they fall due, to fund cash payments for administration, ongoing commitments and current planned exploration programs.

**2. Significant accounting policies**

(a) **Interim financial statements:**

The interim financial statements follow the same accounting policies and methods of their application as the most recent audited financial statements for the year ended December 31, 2009, however, they do not include all the information and disclosures required by the annual financial statements. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been included. The results for the interim periods are not necessarily indicative of the results for the entire year. The information contained in the interim financial statements should be read in conjunction with the Company's latest annual financial statements and notes thereto.

(b) **Basis of presentation:**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Enexco International Inc. All material inter-company transactions and balances have been eliminated.

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**For the period ended June 30, 2010**

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**2. Significant accounting policies (continued)**

(c) Use of estimates:

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions are used in assessing the recoverability of mineral, petroleum and natural gas properties. Actual results may differ from those estimates.

(d) Petroleum and natural gas properties:

The Company follows the successful efforts method of accounting for its petroleum and natural gas interests. All costs of acquiring, exploring for and developing petroleum and natural gas properties are initially capitalized. When a property becomes productive, the costs are depleted on the unit-of-production method based upon estimated proven recoverable oil and gas reserves as calculated by independent engineers. When a property is abandoned, surrendered, or proves to be economically unproductive, the costs are charged against earnings.

(e) Amortization:

Amortization of equipment is recorded on a declining balance basis at the following annual rates:

Trailer	30%
Building	5%
Computer equipment	45%
Mobile equipment	30%
Drills	30%
Furniture and equipment	20%
Software	100%

Additions during the year are amortized at one-half the annual rates.

Leasehold improvements are amortized on a straight-line basis of the term of the 5 year lease.

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**For the period ended June 30, 2010**

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**2. Significant accounting policies (continued)**

(f) Mineral properties:

The Company defers exploration and development expenditures, including the cost of mineral properties, and administrative expenditures directly related to specific mineral projects or an area of interest until such time as the extent of mineralization has been determined and mineral properties are either developed or the Company's mineral rights are allowed to lapse. At that time, the costs will either be written off or amortized over the expected life of the ore body. General and administrative expenditures, which are not directly related to specific mining properties, are expensed in the period in which they are incurred.

The amounts shown as mineral properties represent costs less write-downs to date and do not necessarily reflect present or future values.

(g) Joint ventures:

The accounts of the Company reflect only the Company's proportionate interest in mining exploration and in petroleum and natural gas exploration and production activities which are conducted jointly with others.

(h) Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term deposits with original maturities of three months or less.

(i) Revenue recognition:

The Company recognizes royalty income from petroleum and natural gas interests once they are known, as advised by the operators of the properties.

(j) Income taxes:

Income taxes are calculated using the liability method. 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 enacted or substantively enacted tax rates expected to apply to taxable income when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(k) Stock based compensation:

The Company accounts for stock options granted to directors, employees and consultants using the fair value method. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model and charged to earnings over the vesting period with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is credited to capital stock.

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**2. Significant accounting policies (continued):**

- (l) Foreign currency translation:  
Amounts recorded in foreign currency are translated into Canadian dollars as follows:
- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
  - (ii) Non-monetary assets, at historical exchange rates; and
  - (iii) Revenue and expenses, at the average rate of exchange for the year.
- Gains and losses arising from this translation for foreign currency are included in net loss for the year.
- (m) Loss per share:  
Loss per share amounts have been calculated and presented in accordance with the treasury stock method. Diluted loss per share amounts have not been presented as the effect of outstanding options and warrants is antidilutive.
- (n) Asset retirement obligations:  
The Company recognizes the liability for retirement obligations associated with long-lived assets at fair value. The asset retirement cost equal to the fair value of the retirement obligation is capitalized as part of the cost of the related asset. These capitalized costs are amortized using a straight-line method based on the estimated life of the asset, except for situations where no future revenue will be available to apply the costs against, in which case the costs are expensed immediately. Amounts are recorded once they become known or can be readily estimated.  
The Company has deposited \$253,488 (US\$238,106) with the Bureau of Land Management and the State of Nevada for the estimated reclamation cost of exploration permitted to date.
- (o) Financial instruments:  
All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held for trading, available-for-sale or other financial liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net loss. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized in comprehensive income, and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized in accumulated other comprehensive income is removed from accumulated other comprehensive income and recognized in net income even though

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**For the period ended June 30, 2010**

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**2. Significant accounting policies (continued):**

- (o) Financial instruments (continued):  
the financial asset has not been de-recognized.  
Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the carrying value of such instruments and amortized using the effective interest method.
- (p) Future accounting changes:
- (i) International Financial Reporting Standards ("IFRS")  
In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the transition to IFRS from Canadian generally accepted accounting principles will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its March 31, 2011 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended December 31, 2010. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS.
- (ii) Business Combinations  
In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.  
Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.  
These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

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**3. Financial Instruments**

The Company has classified its cash and cash equivalents as held-for-trading; marketable securities as available-for-sale; accounts receivable as loans and receivables; reclamation deposits as held-to-maturity; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments. The carrying values of the reclamation deposits approximate their fair values since the amounts held earn interest at market rates.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

In respect to accounts receivable and reclamation deposits, the Company is not exposed to significant credit risk as the majority are due from governmental agencies.

The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. Consideration of credit risk exists with respect to the Company's cash and cash equivalents as amounts are held with a single major Canadian financial institution and a major US financial institution.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

Cash and cash equivalents consist of:	June 30, <u>2010</u>	December 31, <u>2009</u>
Bank - Canada	\$ <u>760,591</u>	\$ 1,109,514
Bank - U.S.A.	<u>4,043,832</u>	<u>4,488,143</u>
	<u>\$ 4,804,423</u>	<u>\$ 5,597,657</u>

(b) Liquidity risk

Liquidity risk is the risk the Company will not have sufficient cash to meet its financial obligations as they become due.

The Company manages liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. As at June 30, 2010, the Company had a cash and cash equivalents balance of \$4,804,423 (2009 - \$8,305,470) to settle current liabilities of \$148,563 (2009 - \$130,734). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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**3. Financial Instruments (continued)**

(c) Market risk

The significant market risks to which the Company is exposed are foreign currency risk, interest rate risk, and commodity price risk. These are discussed further below.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company holds some cash and cash equivalents in variable interest-bearing savings accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their estimated fair values. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company is exposed to foreign currency risk with respect to cash and cash equivalents, and accounts payable and accrued liabilities as a portion of these amounts are denominated in US dollars. Certain exploration expenditures are incurred in US dollars. The Company has not entered into any foreign currency contracts to mitigate risk.

The sensitivity analysis of the Company's exposure to foreign currency risk at the reporting date has been determined based upon hypothetical changes taking place at December 31, 2009 and 2008, which includes a hypothetical change in foreign exchange rate between Canadian dollar and US dollar increasing by up to 17% or decreasing by up to 5% in 2009 (2008 - increase/decrease of 19%); the effect on net loss and comprehensive loss is an increase of \$722,834 and decrease of \$212,598 (2008 - \$235).

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**4. Capital Management**

The Company considers its capital structure to consist of share capital, stock options and warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended June 30, 2010. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

**5. Capital assets**

			<u>2010</u>	<u>2009</u>
	<u>Cost</u>	Accumulated <u>Amortization</u>	<u>Net</u>	<u>Net</u>
Trailer	\$ 29,123	\$ 21,906	\$ 7,217	\$ 8,490
Building	47,447	4,598	42,849	43,948
Leasehold improvements	7,244	2,173	5,071	5,795
Mobile equipment	779,238	457,047	322,191	379,048
Drills	840,326	476,814	363,512	427,661
Furniture and equipment	215,823	87,914	127,909	141,112
Software	2,624	656	1,968	-
Computer equipment	39,985	28,768	11,217	11,338
	<u>\$ 1,961,810</u>	<u>\$ 1,079,876</u>	<u>\$ 881,934</u>	<u>\$ 1,017,392</u>

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<b>6. Mineral properties</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Contact property, Nevada (note 6(a)):		
Net book value, beginning of year	\$ <b>9,570,663</b>	\$ 7,900,525
Property acquisition	-	37,351
Exploration expenses	<u><b>78,327</b></u>	<u>1,632,787</u>
Net book value, end of period	<u><b>9,648,990</b></u>	<u>9,570,663</u>
 Boston property, Nevada (note 6(b)):		
Net book value, beginning of year	-	-
Exploration expenses	-	3,238
Write-off	<u>-</u>	<u>(3,238)</u>
Net book value, end of period	<u>-</u>	<u>-</u>
 Hannah property, Nevada (note 6(c)):		
Net book value, beginning of year	-	-
Property acquisition	-	28,550
Exploration expenses	-	492,629
Write-off	<u>-</u>	<u>(521,179)</u>
Net book value, end of period	<u>-</u>	<u>-</u>
 Hot Pot property, Nevada (note 6(d)):		
Net book value, beginning of year	<b>1,644,023</b>	-
Property acquisition	-	22,840
Exploration expenses	<u><b>19,625</b></u>	<u>1,621,183</u>
Net book value, end of period	<u><b>1,663,648</b></u>	<u>1,644,023</u>
 Loomis property, Nevada (note 6(e)):		
Net book value, beginning of year	<b>374,437</b>	-
Property acquisition	-	-
Exploration expenses	<b>5,934</b>	374,437
Write-off	<u><b>(380,371)</b></u>	<u>-</u>
Net book value, end of period	<u>-</u>	<u>374,437</u>
 Mann Lake Uranium property, (note 6(f)):		
Net book value, beginning of year	<b>1,383,432</b>	1,012,214
Exploration expenses	<u><b>155,535</b></u>	<u>371,218</u>
Net book value, end of period	<u><b>1,538,967</b></u>	<u>1,383,432</u>
 Other Projects (note 6(i))	<u><b>145,987</b></u>	<u>123,766</u>
 Total all property interests, end of period	<b>\$ <u>12,997,592</u></b>	<b>\$ <u>13,096,321</u></b>

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**6. Mineral properties (continued)**

The Company's investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal.

The amounts shown as mineral properties represent deferred exploration expenditures incurred to date less write-downs to date and do not necessarily reflect present or future values.

(a) Contact Property, Nevada

On January 28, 1998, the Company entered into a joint venture with Golden Phoenix Minerals Inc. ("Golden Phoenix") of Minnesota to commence exploration of the Company's Contact property located in Elko County, Nevada.

On December 23, 2004, the Company received from Golden Phoenix notice of termination of the agreement. The Company has reacquired a 100% interest in the Contact Property and will be continuing exploration.

On July 6, 2006, the Company acquired from Golden Phoenix the Red Metal Claims. The claims are contiguous with the Contact Property. As consideration for a 100% interest in the Red Metal claims the Company issued to Golden Phoenix, 100,000 common shares at a deemed value of \$1.10 per share, and released Golden Phoenix of all claims by Enexo.

(b) Boston Property, Nevada

On March 30, 2008, the Company entered into option agreements to acquire a 100% interest in 11 claims (1 patented claim, and 10 unpatented claims). The option agreements required the Company to make the following cash payments to the Optionors:

On or before April 12, 2008 US\$50,000

On or before March 1, 2009 US\$25,000

On or before March 1, 2010 US\$50,000

The option agreements also required the Company to make the following aggregate expenditures on the property:

On or before September 1, 2009 US\$400,000

On or before March 1, 2010 US\$300,000

The Optionor retained a net smelter returns royalty of 2% on the property.

During the year ended December 31, 2008, the Company received unsatisfactory results and chose not to make the March 1, 2009 cash payment allowing the option to lapse. Acquisition and exploration costs were written off for the year ended December 31, 2008.

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**6. Mineral properties (continued)**

(c) Hannah, Nevada

On February 13, 2009, the Company entered into an option agreement with Lincoln Gold Corporation to acquire a 60% interest in 23 claims named the Hannah Property in Churchill County, Nevada. The option agreement is for a period of one year and requires the Company to make the following cash payments to the Optionors:

On execution of the agreement US\$15,000,

Pay the underlying property payments on the property, not to exceed US\$25,000, during the option period,

Pay to BLM and Churchill County the annual claim maintenance fees for 2009 for the property.

The option agreements also requires the Company to make the following aggregate expenditures on the property:

Drilling of 8,000 feet in a minimum of 12 holes on the property.

The property is subject to a Net Smelter Return royalty in an underlying agreement of 4% for gold price over \$400/oz, 3% if under.

During the year ended December 31, 2009, the Company received unsatisfactory results and chose not to make further cash payments allowing the option to lapse. Acquisition and exploration costs were written off for the year ended December 31, 2009.

(d) Hot Pot, Nevada

On June 3, 2009, the Company entered into an option agreement with Nevada Exploration Inc. to acquire a 51% interest in 6 claims and land under a mining lease agreement totaling 2,225 acres, named the Hot Pot Property in Humboldt County, Nevada. The option agreement is for a period of three years and requires the Company to make the following aggregate expenditures on the property:

Drilling of 1,500 meters during each of the first two years of the option period,

Drilling of 3,000 meters during the third year of the option period.

At anytime within ninety days following the completion of its expenditures obligation, the Company has the option to elect to increase its participating interest in the property by an additional 19% to a total of 70% by agreeing to complete the additional aggregate expenditure on the property of 3,000 meters of drilling.

The property is subject to underlying Net Smelter Return royalties totaling 4.25%.

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**6. Mineral properties (continued)**

(e) Loomis, Nevada

On May 8, 2009, the Company entered into an option agreement with Frontier Development Group Inc. to acquire a 51% interest in 92 claims named the Loomis Property in Elko County, Nevada. The option agreement is for a period of three years and requires the Company to make the following aggregate expenditures on the property:

Drilling of 2,000 meters during the first year of the option period and expenditures of US\$100,000,

Drilling of 4,000 meters during the second year of the option period and expenditures of US\$100,000,

Drilling of 5,000 meters during the third year of the option period and expenditures of US\$100,000.

During the period ended June 30, 2010, the Company decided not to continue with the option agreement. Acquisition and exploration costs were written off for the period ended June 30, 2010.

(f) Mann Lake, Saskatchewan

The Company has a 30% participating interest in a joint venture with Cameco Corporation ("Cameco") 52.5% and Areva 17.5%, interest in the joint venture, to explore the Mann Lake property for uranium. The Company has been involved with the project since 1977 which consists of two mineral dispositions totaling 3,407 hectares located within the southeast portion of the Athabasca Basin in Northern Saskatchewan.

The total amounts and major components related to the Company's interest in the joint venture are as follows:

Current assets	\$Nil
Long-term assets	\$1,538,967
Current liabilities	\$74,431
Long-term liabilities	Nil
Revenue	Nil
Expenses	Nil
Net loss	Nil
Cash flows resulting from operating activities	Nil
Cash flows resulting from financing activities	Nil
Cash flows resulting from investing activities	\$(155,535)

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**6. Mineral properties (continued)**

- (g) The Company has a 60% share of a royalty interest in five abandoned oil wells in the Chauvin area of Alberta. The capitalized cost of this interest was written off in prior years. The Operating partner for the property, View Mont Estates Ltd., (See Note 8) has continued with the reclamation of the well sites and has completed the reclamation of four of the five well sites. View Mont Estates has incurred costs since 1994 of \$225,713 in reclamation expense, of which the Company is obligated to pay 60%. View Mont has estimated it will cost an additional \$41,666 to complete the reclamation of the remaining well, giving the Company an estimated aggregate expense of \$160,428. The remaining \$25,000 has been accrued in the accounts.
- (h) On October 1, 2006, the Company entered into an agreement to acquire a 0.5% overriding royalty interest in wells owned by Baytex Energy Ltd. from Joli Fou Petroleums Ltd. In consideration for the transfer, the Company paid \$72,056 to Joli Fou Petroleums Ltd. There is no conservative estimate of the life of the interest, and as revenues were discontinued during the year ended 2009, the investment was written off. The Company now owns 2.3% of a 5% overriding royalty interest in wells owned by Baytex Energy Ltd. In addition, the Company has royalty interests in oil and gas wells owned by Talisman Energy Canada Ltd. and Apache Canada Ltd.
- (i) The Company has staked additional mineral exploration projects in Nevada. The projects are at a grass-roots stage. During the period ended June 30, 2010, the Company had invested \$145,987 on these projects.

**7. Capital stock**

- (a) Share capital:  
 Authorized: Unlimited common shares without par value  
 Issued and outstanding:

	Number of Common Shares	Amount	Contributed Surplus
Balance, December 31, 2008	22,553,077	34,044,172	2,840,386
Income tax effect on flow-through share renouncement	-	(96,460)	-
Exercise of options	10,000	2,500	-
Fair value of options exercised	-	2,100	(2,100)
Balance, December 31, 2009 and June 30, 2010	<u>22,563,077</u>	<u>\$ 33,952,312</u>	<u>\$ 2,838,286</u>

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**7. Capital stock (continued)**

(b) Share purchase options:

Details of the status of the Company's stock option plans as at December 31, 2009, and June 30, 2010 and changes during the respective years are as follows:

	Number	Weighted Average	
	of Shares	Exercise	Expiry Date
		Price	
Outstanding, December 31, 2008	1,865,000	0.27	
Options exercised	(10,000)	0.25	October 9, 2009
Options forfeited	(15,000)	0.25	October 1, 2009
Options expired	<u>(240,000)</u>	<u>0.40</u>	February 16, 2009
Outstanding, December 31, 2009	1,600,000	\$ 0.25	
Options forfeited	(165,000)	0.25	
Options granted	<u>75,000</u>	<u>0.32</u>	April 13, 2013
Outstanding, June 30, 2010	<u>1,510,000</u>	<u>0.25</u>	

The Company applies the fair value method using the Black-Scholes options pricing model to account for options granted to employees, directors and non-employees. The Black-Scholes model was calculated based on the following assumptions:

	<u>2010</u>	<u>2009</u>
Expected life (years)	3	N/A
Interest rate	2.32%	N/A
Volatility	80%	N/A
Dividend yield	Nil	N/A

The stock-based compensation has been included in the statements of operations and deficit as follows:

	<u>2010</u>	<u>2009</u>
Directors' fees	\$ -	\$ -
Advertising and promotion	-	-
Salary and benefits	<b>12,750</b>	-
Consulting fees	<u>-</u>	<u>-</u>
	<u>\$ 12,750</u>	<u>\$ -</u>

(c) Warrants outstanding:

	Weighted Average		
<u>Issued</u>	Number	Exercise	
	of Shares	Price	
		Expiry Date	
Outstanding, December 31, 2009 and June 30, 2010	<u>750,000</u>	<u>\$ 0.50</u>	November 3, 2010

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**8. Related party transactions:**

During the period the Company was charged the following expenses by related parties:

	<u>2010</u>	<u>2009</u>
Armada Investments Ltd., a company controlled by a director of the Company:		
Management fees	\$ 30,000	\$ 24,000
Office rental costs	18,690	18,330
Accounting fees	12,000	6,000
Telephone	1,514	1,514
Armstrong Simpson, a law firm of which an officer of the Company is an employee:		
Legal fees	27,661	-

Included in accounts payable and accrued liabilities are amounts payable to related parties as follows:

	<u>2010</u>	<u>2009</u>
View Mont Estates Ltd., a company controlled by a director of the Company (See Note 6(g)).	\$ <u>25,074</u>	\$ <u>25,074</u>

**9. Commitments:**

In December 2009, the Company renewed the contract with Mau Capital Management to conduct investor relations services for the company. Mau Capital will receive a fee of \$2,500 per month for one year.

**10. Segmented Information**

The Company has one operating segment, which is the exploration and development of exploration properties. Geographic segmentation of the Company's assets are as follows: Canada - \$6,307,022 (December 31, 2009 - \$6,983,702) and US - \$12,654,635 (December 31, 2009 - \$12,996,864).

The majority of the Company's operating expenses are incurred in Canada, with a small portion in the US. Exploration expenditures are incurred in Canada on the Mann Lake project and in the US on the Contact project and other projects.

**11. Subsequent Events**

On July 20, 2010, the Company granted 595,000 directors, officers and consultants stock options priced at \$0.25 per share expiring July 20, 2015.