Interim Consolidated Financial Statements
(Unaudited)
(Stated in Canadian Dollars)

megasilver Inc.

June 30, 2009

NOTICE TO SHAREHOLDERS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Mega Silver Inc. (A Development Stage Company) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2008 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the 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 consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

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

(Incorporated under the laws of British Columbia

CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at June 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

	2009 $	2008 $
ASSETS		
Current		
Cash and cash equivalents	**1,791,606**	199,064
Investments *[note 4]*	**8,875,000**	11,000,000
Accounts receivable	**154,460**	405,503
Prepaids and deposits	**239,980**	62,625
Total current assets	**11,061,046**	11,667,192
Property, plant and equipment *[note 6]*	**121,968**	131,078
Mineral properties *[note 7]*	**9,754,716**	349,455
	20,937,730	12,147,725
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**506,385**	120,558
Long term tax payable	**29,399**	-
Future tax liability	**2,288,522**	-
SHAREHOLDER'S EQUITY		
Share capital		
Issued		
Common shares *[note 8]*	**39,052,299**	33,238,906
Obligation to issue shares *[note 14]*	**735,886**	-
Share purchase warrants *[note 9]*	**1,088,468**	1,088,468
Contributed surplus *[note 11]*	**2,600,611**	1,779,300
Deficit	**(25,363,840)**	(24,079,507)
Total shareholders' equity	**18,113,424**	12,027,167
	20,937,730	12,147,725

Nature of Business [note 1]
Standby Letters of Credit [note 5]
Commitments [note 14]

See accompanying notes to the consolidated financial statements

On behalf of the Board:

"Michael Sweatman" Director	*"Jim Rogers"* Director

(Incorporated under the laws of British Columbia

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

(Unaudited)

(Stated in Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
	$	$	$	$
REVENUE				
Investment income	**54,971**	130,751	**116,362**	243,251
EXPENSES				
Amortization	**9,587**	2,229	**16,730**	2,643
Stock compensation *[note 10]*	**364,434**	947,131	**838,750**	1,509,267
Flow-through interest penalty	**17,007**	-	**18,431**	-
General and administrative	**338,171**	310,548	**791,113**	455,275
Professional fees	**47,748**	97,593	**75,086**	187,109
Exploration expenses	**21,605**	-	**21,605**	-
	798,552	1,357,501	**1,761,715**	2,154,294
Loss before the following	**(743,581)**	(1,226,750)	**(1,645,353)**	(1,911,043)
Loss before income taxes	**(688,610)**	(1,226,750)	**(1,645,353)**	(1,911,043)
Income taxes				
Future tax expense (recovery)	**(298,605)**	-	**(361,020)**	-
	(298,605)	-	**(361,020)**	-
Loss and comprehensive loss for period	**(390,005)**	(1,226,750)	**(1,284,333)**	(1,911,043)
Deficit,beginning of period	**(24,973,835)**	(18,258,763)	**(24,079,507)**	(17,574,470)
Deficit, end of period	**(25,363,840)**	(19,485,513)	**(25,363,840)**	(19,485,513)
Basic and diluted loss per share *[note 12]*	**(0.02)**	(0.08)	**(0.05)**	(0.08)

See accompanying notes to the consolidated financial statements

(Incorporated under the laws of British Columbia

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Stated in Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
	$	$	$	$
OPERATING ACTIVITIES				
Loss and comprehensive loss for period	**(390,005)**	(1,226,750)	**(1,284,333)**	(1,911,043)
Add charges to earnings not involving a current payment (receipt) of cash				
Amortization	**9,587**	2,229	**16,730**	2,643
Stock compensation	**364,434**	947,131	**838,750**	1,509,267
Future tax expense (recovery)	**(298,605)**	-	**(361,020)**	-
	(314,589)	(277,390)	**(789,873)**	(399,133)
Net change in non-cash working capital balances related to operations	**189,642**	810,847	**713,864**	47,182
Cash provided by (used in) operating activities	**(124,947)**	533,457	**(76,009)**	(351,951)
INVESTMENT ACTIVITIES				
Mineral exploration and development expenditures, net	**(629,960)**	(1,181,495)	**(637,920)**	(1,684,522)
Proceeds from the sale (purchase) of investments, net	**2,125,000**	500,000	**2,125,000**	(14,500,000)
Purchase of property, plant and equipment	**-**	(44,249)	**(3,181)**	(58,097)
Cash received on acquisition	**165,612**	-	**165,612**	-
Cash provided by (used in) investment activities	**1,660,652**	(725,744)	**1,649,511**	(16,242,619)
FINANCING ACTIVITIES				
Shares issued in private placements	**-**	-	**-**	3,025,000
Proceeds from the exercise of stock options	**13,750**	-	**19,040**	137,500
Release of subscription receipts proceeds in escrow	**-**	-	**-**	13,000,000
Share issue costs	**-**	6,739	**-**	(186,153)
Cash provided by financing activities	**13,750**	6,739	**19,040**	15,976,347
Increase (decrease) in cash during period	**1,549,455**	(185,548)	**1,592,542**	(618,223)
Cash, beginning of period	**242,151**	379,061	**199,064**	811,736
Cash, end of period	**1,791,606**	193,513	**1,791,606**	193,513

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

1. NATURE OF BUSINESS

Mega Silver Inc. (the "Corporation" or "Mega Silver") is a junior Canadian-based exploration and development company with exploration projects in Canada. The principal business of the Corporation is the acquisition, exploration and development of high value mineral properties. Mega Silver is considered a development stage company, as defined by Accounting Guideline 11 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook.

The accompanying unaudited interim consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability to realize assets and discharge liabilities in the normal course of business in the foreseeable future and the ability of the Corporation to raise additional capital. Specifically, the recovery of the Corporation's investment in mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition.

2. AGREEMENT WITH SKYBRIDGE DEVELOPMENT CORP.

On May 26, 2009, the Corporation announced that it had combined with Skybridge Development Corp. ("Skybridge") through an all share transaction (the "Transaction"). Under the terms of the Transaction, shareholders of Skybridge received one (1) Mega common share in exchange for each two and one-half (2.5) Skybridge common shares held. Based upon the number of Mega common shares and Skybridge common shares outstanding as at January 27, 2009 (on an undiluted basis), and upon completion of the Transaction, Mega issued an aggregate of approximately 8,105,488 Mega common shares to Skybridge shareholders, representing approximately 23% of the 35,222,572 outstanding Mega common shares following the transaction. The Transaction was effected by way of a three-cornered amalgamation, whereby a wholly-owned subsidiary of Mega amalgamated with Skybridge. The resulting company is a wholly-owned subsidiary of Mega and continues to carry out the business of Skybridge. The common shares of Skybridge were ceased trading on the TSX-V as of close of trading on May 26, 2009.

The allocation of the purchase price related to the Skybridge transaction is preliminary and will be refined as information relating to the valuation of the fair value of net assets and the determination of certain tax values of those assets are finalized. The premilinary allocation of the purchase consideration totaling $7,093,052, is as follows:

Cash	$ 165,612
Accounts receivable	44,615
Prepaids	24,173
Short term investments	75,000
Equipment	4,439
Mineral properties	8,671,730
Accounts payable	(90,826)
Future tax liability	(1,772,292)
Long term tax payable	(29,399)
Total net assets	7,093,052
Purchase consideration:	
8,105,488 common shares issued	6,370,914
Obligation to issue shares	722,138

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
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3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of the Corporation have been prepared by management on the basis of the Corporation's continuance as a going-concern and follow the same accounting policies as the most recent annual audited financial statements except for the changes as noted below. The unaudited interim consolidated financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles applicable for audited annual consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the 2008 audited consolidated financial statements.

Mineral properties

The cost of mineral properties includes all direct exploration costs including administrative expenses and certain deferred costs that can be directly related to specific projects. Exploration and associated costs relating to non specific projects / properties are expensed in the period incurred. Significant property acquisition, exploration costs relating to specific properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is sold, abandoned or placed into production. Costs related to properties abandoned are written-off when it is determined that the property has no continuing value. All of the Corporation's properties are in the exploration stage and have not yet attained commercial production. The ultimate realization of the carrying value of properties in the exploration stage is dependent upon the successful development or sale of these properties.

Business Combinations / Consolidated Financial Statements / Non-Controlling Interests

In January 2009, the CICA adopted sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests" which superseded current sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". It was announced that these sections would be applied prospective to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. These new sections were created to converge Canadian GAAP to IFRS. Mega has chosen early adoption of sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests". These sections have been applied concurrently in these financial statements.

Basis of consolidation

These unaudited interim consolidated financial statements include the accounts of the Corporation and its wholly owned subsidy, Skybridge Development Corp. All inter-company balances and transactions have been eliminated on consolidation.

RECENT ACCOUNTING PRONOUNCEMENTS

Mining exploration costs

On March 27, 2009, the Canadian Institute of Chartered Accountants approved EIC 174, "Mining Exploration Costs". The EIC provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The Corporation has applied the EIC, resulting in no impact on its consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

FUTURE ACCOUNTING CHANGES

Convergence with International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to implement IFRS, which will replace Canadian GAAP for these types of entities.

The effective date for this change is interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of quarterly and annual amounts reported by the Corporation for the year ended December 31, 2010. While the Corporation has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
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4. INVESTMENTS

	2009		2008	
	Market $	**Cost** $	Market $	Cost $
Guaranteed investment certificates	**8,875,000**	**8,875,000**	11,000,000	11,000,000

At June 30, 2009, the Corporation's investments consist of guaranteed investment certificates maturing within 91 days, yielding 1.10% [December 31, 2008 - 2.15%]. Furthermore, the Corporation has entered into an agreement with the Royal Bank of Canada that prevents the Corporation from removing securities or monies from its account if the effect would be to reduce the market value of the account below the security provided for in the letters of credit described in note 5.

5. STANDBY LETTERS OF CREDIT

The Corporation's wholly owned subsidiary has a $75,000 standby letter of credit outstanding in favour of the Kitikmeot Inuit Association relating to reclamation obligations associated with the Blue Caribou Property in Nunavut.

Security for the standby letter of credit held with the Royal Bank of Canada is described in note 4.

6. PROPERTY, PLANT AND EQUIPMENT

Details of period-end property, plant and equipment balances are as follows:

	2009		2008	
	Cost $	**Accumulated amortization** $	Cost $	Accumulated amortization $
Computer equipment	**32,533**	**9,021**	22,855	3,428
Software	**5,396**	**1,471**	5,396	809
Furniture and equipment	**94,686**	**19,802**	94,686	9,469
Leasehold improvements	**24,274**	**4,627**	24,274	2,427
	156,889	**34,921**	147,211	16,133
Property, plant and equipment, net	**121,968**		131,078	

Amortization for the period is $9,587 [2008 - $16,133].

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
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7. MINERAL PROPERTIES

Accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consisted of the following:

	2009				2008
	Deferred exploration expenditures $	**Option payments and acquisition costs $**	**Option payments received $**	**Total $**	Total $
East My-Ritt, Ontario	**2,974**	**260,026**	**-**	**263,000**	-
Laverty, Ontario	**34,638**	**149,497**	**-**	**184,135**	-
Blue Caribou, Nunavut	**43,271**	**8,525,212**	**-**	**8,568,483**	-
Eagle, Yukon	**140,249**	**25,645**	**-**	**165,894**	32,505
Fisher, Yukon	**239,563**	**192,137**	**-**	**431,700**	257,754
Spider-Man, Yukon	**74,399**	**20,000**	**-**	**94,399**	54,601
Other Areas	**47,105**	**-**	**-**	**47,105**	4,595
	582,199	**9,172,517**	**-**	**9,754,716**	349,455

ONTARIO

Laverty Property

On February 2, 2009 the Corporation acquired the historic “Laverty” property in Red Lake, Ontario. The initial payment obligation at signing of the Definitive Agreement between the parties was $100,000 cash and issuance of 250,000 Mega shares. Terms of the 48 month option-purchase agreement between Mega and the vendor, Mosquito Consolidated Gold Mines Limited (“Mosquito”) include annual payments totaling $500,000, issuance of 1,500,000 common shares of Mega and exploration work commitments totaling $1,500,000. Mosquito retains a 2% Net Smelter Returns royalty with Mega granted the right to purchase half within one year of the final closing of the fully vested option agreement for $1,000,000.

East My-Ritt Property

On February 17, 2009, the Corporation entered into a Letter of Intent in respect of an option to acquire a 100% interest in the “East My-Ritt” property in Red Lake, Ontario from a Joint Venture between Premier Gold Mines Limited and Sabina Silver Corporation (the “Vendors”). Terms of the option agreement between Mega and the Vendors include cash payments totaling $250,000, issuance of 1,500,000 common shares of Mega along with exploration work commitments totaling $1,250,000. Initial payment obligation at signing of the Definitive Agreement between the parties includes $50,000 cash and issuance of 500,000 Mega shares. The Vendors retain a 0.5% Net Smelter Returns royalty with Mega and the Vendors jointly retaining the right to buy out underlying royalty provisions on a prorated basis as may be available for purchase. Underlying royalty provisions include a 3% Net Smelter Returns royalty on all 8 claims, as well as a 10% Net Profits Interest (NPI) on six of the claims.

NUNAVUT

Blue Caribou Property

The Blue Caribou property located in Nunavut, Canada is comprised of 23 mining claims covering 58,106 acres. The claims were staked by the Corporation in June 2007 subject to an Inuit Owned Land Use License administered by the Kitikmeot Inuit Association.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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YUKON

Eagle Property
Pursuant to an agreement dated November 10, 2008 (the “Avino Option Agreement”) Avino Silver & Gold Mines Ltd. (“Avino”), a company continued pursuant to the laws of the Province of British Columbia (TSXV: ASM), has granted Mega Silver an option to acquire a 100% title and interest in the Eagle Property located in the historic Keno Hill silver district. Pursuant to the Avino Option Agreement: To earn a 75% interest in the Eagle Property, Mega Silver must: (i) Incur exploration costs totaling $7.1 million over five years; (ii) Make total cash payments of $400,000 over five years to Avino; (iii) Issue 500,000 common shares of Mega Silver in Years 4 and 5 to Avino. After earning a 75% interest, Mega Silver may either elect to form a Joint Venture with Avino, or earn an additional 25% interest, whereby Mega Silver must: (i) Take the property into production within 3 years, subject to a 2.5% NSR and (ii) minimum $200,000 annual advance royalty payments payable for 5 years or until production begins. The Company may purchase 1% of the NSR at any time for $1,000,000.

Fisher Property
Pursuant to an agreement dated July 2, 2008 (the “StrataGold Option Agreement”) StrataGold Corporation (“StrataGold”), a company continued pursuant to the laws of the Province of British Columbia (TSXV: SGV), has granted Mega Silver an option to acquire a 100% interest in the Fisher claims on StrataGold’s Aurex property, Yukon Territory. The Fisher claims represent 67 of 465 contiguous quartz mining claims that make up the Aurex Property in the Mayo Mining District, Yukon Territory. Pursuant to the StrataGold Option Agreement, to exercise the option, Mega Silver must: i) Incur an aggregate of $4,000,000 in exploration expenditure over four years: $200,000 on or before the first anniversary, $700,000 on or before the second anniversary, $1,100,000 on or before the third anniversary and $2,000,000 on or before the fourth anniversary. ii) Make total cash payments of $625,000 over four years to StrataGold: $10,000 within five days of Exchange approval, $50,000 on or before the first anniversary, $90,000 on or before the second anniversary, $100,000 on or before the third anniversary and $375,000 on or before the fourth anniversary. iii) Issue 1,000,000 common shares of Mega Silver over four years to StrataGold: 75,000 within five days of Exchange approval, 75,000 on or before the first anniversary, 150,000 on or before the second anniversary, 350,000 on or before the third anniversary and 350,000 on or before the fourth anniversary. iv) Upon acquiring a 100% interest in the Fisher claims, the Company shall grant StrataGold a 2% NSR which the Company may purchase 1% of the NSR at any time for $1,000,000.

Spider-Man Property
On March 12, 2008, Mega Silver paid $20,000 cash to acquire 100% interest in the five Quartz mineral claims (the “Spider-Man Property”) located in the Mayo Mining District, Yukon Territories, Canada.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

8. COMMON SHARES

(a) The Corporation is authorized to issue an unlimited number of common shares.

	Number #	Value $
Balance December 31, 2008	26,916,984	33,238,906
Stock options exercised	36,500	19,040
Shares issued for acquisition of Skybridge	8,105,488	6,370,914
Reallocation from contributed surplus amounts relating to the exercise of stock options	-	17,439
Shares issued for mineral properties	275,000	283,250
Flow-through share renunciation	-	(877,250)
Balance, June 30, 2009	35,333,972	39,052,299

The Corporation completed the following financing activities during the period:

Acquisition of Skybridge Development Corp.
In connection with the acquisition of Skybridge Development Corp. (note 2), the Corporation issued 8,105,488 shares.

Shares issued for mineral properties
The Corporation issued 200,000 shares in connection with the acquisition of the My-Ritt property in Red Lake, Ontario (note 7).

The Corporation also issued issued 75,000 shares as an option payment on the Fisher property in the Yukon Territory.

(b) As at June 30, 2009 a total of 3,802,090 common shares and 297,000 warrants were held in escrow and will be released as follows:

Date	Shares #	Warrants #
July 23, 2009	696,980	74,250
November 28, 2009	253,542	-
January 23, 2010	696,981	74,250
May 28, 2010	253,542	-
July 23, 2010	696,981	74,250
November 28, 2010	253,542	-
January 23, 2011	696,981	74,250
May 28, 2011	253,541	-
	3,802,090	297,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
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9. SHARE PURCHASE WARRANTS

The following table reflects the continuity of warrants:

Expiry Date	Exercise Price $	2009 Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	June 30, 2009 Closing Balance #
January 22, 2010	1.50	6,816,000	-	-	-	6,816,000
January 22, 2010	1.00	825,800	-	-	-	825,800
January 29, 2010	1.60	1,375,000	-	-	-	1,375,000
January 29, 2010	1.50	137,500	-	-	-	137,500
		9,154,300	-	-	-	9,154,300

The fair value of the share purchase warrants were estimated using the Black-Scholes option pricing model. The assumptions used for the valuation of the respective warrants were:

No dividends are to be paid, expected volatility 75.81%, a risk-free interest rate of between 3.15% and 3.34% and an expected life to the expiry date. Value assigned to the 9,514,300 share purchase warrants issued in 2008 was $1,088,468.

The following table reflects the value of share purchase warrants currently outstanding:

Warrants	Number #	Value $
Share purchase warrants, exercisable at $1.50 and expiring January 22, 2010	6,816,000	-
Broker warrants, exercisable at $1.00 and expiring January 22, 2010	825,800	969,077
Share purchase warrants, exercisable at $1.60 and expiring January 29, 2010	1,375,000	-
Broker warrants, exercisable at $1.50 and expiring January 29, 2010	137,500	119,391
	9,154,300	1,088,468

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(with comparative figures as at December 31, 2008)
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10. SHARE INCENTIVE PLAN

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the continuity of stock options under the Plan:

	Number of Stock Options		**Weighted Average Exercise Price**	
	2009	2008	**2009**	2008
	#	#	**$**	$
Opening balance	**2,165,000**	-	**1.43**	-
Options granted	**1,550,000**	2,165,000	**1.15**	1.43
Options cancelled	**(500,168)**	-	**0.98**	-
Options exercised	**(36,500)**	-	**0.50**	-
	3,178,332	2,165,000	**1.26**	1.43

The following table reflects the stock options outstanding as at June 30, 2009:

Expiry Date	**Exercise Price $**	**Options Granted #**	**Options Vested #**
October 2, 2010	0.30	50,000	50,000
October 10, 2010	0.30	25,000	25,000
January 11, 2011	1.25	100,000	100,000
February 20, 2013	1.55	400,000	400,000
February 27, 2013	1.79	953,332	816,667
November 13, 2013	0.50	100,000	100,000
June 11, 2014	1.15	1,550,000	-
		3,178,332	1,491,667

On June 11, 2009 the Corporation issued 1,550,000 options to various directors and employees at an exercise price of $1.15, vesting equally for six consecutive quarters (18 months) and expiring in 5 years. The value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: no dividends to be paid, volatility 156%, risk free rate 2.07%, and an expected life of 5 years. As a result the fair value of the options was estimated at $1,643,000, and will be recognized over the vesting period, with $57,174 recognized in the current period.

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly $364,434 was recorded as compensation for the 250,604 stock options that vested in the current period [2008 - $1,678,300 was recorded as compensation for the 1,066,945 stock options that vested]. For purposes of the options vested during the period the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions: no dividends are to be paid, expected volatility of between 151% and 156%, risk-free interest rate of between 2.07% and 3.29%, expected life of 5 years [2008 - no dividends are to be paid, expected volatility of 44%, risk-free interest rate of 3.50%, expected life of 5 years].

megasilver Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

11. CONTRIBUTED SURPLUS

The following table reflects the continuity of contributed surplus:

	$
Balance, December 31, 2008	1,779,300
Stock options vested	838,750
Stock options exercised	(17,439)
Balance, June 30, 2009	2,600,611

12. LOSS PER SHARE

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per share:

	2009	2008
Numerator:		
Net loss	**(1,284,333)**	(6,505,037)
Denominator:		
Weighted average number of common shares	**28,260,385**	25,815,831
Basic and diluted loss per share	**(0.05)**	(0.25)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. RELATED PARTIES

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

[a] Included in general and administrative expenses are amounts totaling $6,716 (2008 - $8,292) for corporate secretarial services provided to the Corporation by companies related to the Corporation through a common officer.

[b] Included in general and administrative expenses are amounts totaling $30,205 (2008 - $nil) for rent, facilities related charges, and accounting and management services provided by a company related to the Corporation through a common officer.

[c] Included in general and administrative expenses are amounts totaling $50,000 (2008 - $30,000)for management fees to a former director and officer of the Corporation.

[d] Included in general and administrative expenses are amounts totaling $28,500 (2008 - $15,000) for administrative and accounting fees to a company owned by a former officer of the Corporation.

[e] Included in project costs are amounts totaling $1,464 (2008 - $nil) for geological supplies purchased from a company related to the Corporation through a common director.

14. COMMITMENTS

The Corporation has commitments relating to a contract for rent, facilities related charges, and management and accounting services expiring June 2011 (note 13).

The minimum annual payments for the next three years are as follows:

	$
2008	180,810
2009	361,620
2010	180,810
	723,240

Flow-through renunciation
As at December 31, 2008, the Corporation and its subsidiary renounced 100% of its flow-through related resource expenditures to investors. The Corporation and its subsidiary had until February 1, 2009 to incur the expenditures before monthly interest charges began to accrue on unspent funds. Interest charges incurred by the Corporation and its subsidiary as a result of this income tax legislation are charged to income in the period incurred. Of the $3,025,000 raised in 2008 by the Corporation, $1,324,212 in expenditures have been incurred, and therefore the Corporation must incur an additional $1,700,788 in exploration expenditures to fulfil its obligation by December 31, 2009. Of the $437,500 in flow-through financing raised in 2008, the Corporation's subsidiary has incurred $437,500, therefore fulfilling its obligation in relation to the flow through share renunciation.

Obligation to issue shares
Pursuant to the agreement with Skybridge Development Corp. (note 2), the Corporation has committed to issuing up to 1,663,912 common shares in relation to Skybridge options and warrants granted prior to the date of the agreement. The fair value in the amount of $722,138 for the stock options and warrants was determined using the Black-Scholes option pricing model using the following assumptions: exercise price of $1.37, stock price of issuance of $0.442, expected volatility of 132%, expected life of 1.88 years, risk free rate of 1.19%, and no dividends to be paid.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the six months ended June 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

15. MANAGEMENT OF CAPITAL RISK

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimises the costs of capital at an acceptable risk. In the management of capital, the Corporation includes the components of shareholders' equity, as well as cash and cash equivalents and investments. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and investments.

16. MANAGEMENT OF FINANCIAL RISK

The Corporation had no held-to-maturity or available for sale instruments and no allowance for credit losses as at June 30, 2009 and December 31, 2008:

	2009	2008
Financial Assets		
Held for trading, measured at fair value		
Cash and cash equivalents	**1,791,606**	199,064
Investments	**8,875,000**	11,000,000
	10,666,606	11,199,064
Loans and receivables, measured at amortized cost		
Accounts receivable	**154,460**	405,503
Financial Liabilities		
Other liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	**506,385**	120,558

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Corporation manages its credit risk by holding cash and cash equivalents through large Canadian financial institutions. Investments (including those presented as part of cash and cash equivalents) are comprised of financial instruments guaranteed by the Federal Government of Canada which matured during the period. The Corporation's accounts receivable consist primarily of sales taxes due from the Federal Government of Canada. Financial assets are all current and therefore the maximum credit exposure would be the carrying value of these assets.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of the investments and other items held within cash and cash equivalents is limited due to the relatively short maturity of the investments. The Corporation manages its interest rate risk by investing in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

(d) Fair Value

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value, unless otherwise noted due to the short terms to maturity.

17. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. These reclassifications have no material effect on the financial statements.