

**GOLD WHEATON GOLD CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2009**

**(Stated in US dollars)**

**GOLD WHEATON GOLD CORP.****Consolidated Balance Sheets**

As at

In US Dollars (Unaudited)

	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 11,673,756	\$ 1,515,103
Short-term investments	65,232,090	5,912,842
Accounts receivable	14,767,690	14,498,292
Other receivable	56,580	180,426
Prepays, deposits and other	84,311	231,191
	<u>91,814,427</u>	<u>22,337,854</u>
Mineral interests (net) (Note 5)	513,198,435	443,975,015
Long term investment (Note 6)	3,089,906	-
Future income tax asset (Note 9)	-	2,409,575
	<u>\$ 608,102,768</u>	<u>\$ 468,722,444</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 7,641,101	\$ 7,846,964
Future income tax liabilities (Note 9)	1,151,215	-
Long-term liabilities (Notes 4 and 7)	85,660,612	38,672,887
	<u>94,452,928</u>	<u>46,519,851</u>
<b>Shareholders' equity</b>		
Share capital (Note 10)	479,682,914	396,763,255
Share purchase warrants (Note 10)	36,958,924	28,974,819
Contributed surplus (Notes 7 and 10)	4,344,949	3,783,813
Deficit	(7,858,263)	(7,181,656)
Accumulated other comprehensive income/(loss)	521,316	(137,638)
	<u>513,649,840</u>	<u>422,202,593</u>
	<u>\$ 608,102,768</u>	<u>\$ 468,722,444</u>

**Commitments and contingencies** (Note 13)**Approved by the Board:**/s/"David Cohen"

Director - David Cohen

/s/"Nolan Watson"

Director - Nolan Watson

The accompanying notes are an integral part of these financial statements.

**GOLD WHEATON GOLD CORP.**

**Consolidated Statements of Net Income/(Loss) and Comprehensive Income/(Loss)**

**For the three and six months ended June 30, 2009 and 2008**

**In US Dollars (Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Sales	\$ 16,303,645	\$ -	\$ 25,069,741	\$ -
Cost of sales	7,018,057	-	10,255,641	-
Depreciation and depletion	3,992,813	-	5,776,920	-
	<b>11,010,870</b>	<b>-</b>	<b>16,032,561</b>	<b>-</b>
Earnings from mining operations	<b>5,292,775</b>	<b>-</b>	<b>9,037,180</b>	<b>-</b>
<b>Expenses</b>				
Bank Charges	2,272	820	4,674	864
Interest expense	935,007	862	1,298,177	13,775
Management fees (Note 8)	-	-	-	8,984
Office and miscellaneous	76,295	26,762	132,257	30,506
Professional and consulting fees (Note 8)	1,007,343	38,411	1,697,957	122,517
Stock-based compensation	560,414	231,250	560,414	231,250
Transfer agent and filing fees	33,189	15,795	86,690	16,105
Travel and promotion	72,659	14,173	191,957	15,371
	<b>2,687,179</b>	<b>328,073</b>	<b>3,972,126</b>	<b>439,372</b>
<b>Income/(loss) before other items</b>	<b>2,605,596</b>	<b>(328,073)</b>	<b>5,065,054</b>	<b>(439,372)</b>
<b>Other items</b>				
Interest income	26,055	5,498	69,983	5,498
Mark-to-market on warrants held	316,238	-	316,238	-
Foreign exchange loss	(3,209,802)	-	(1,551,019)	-
Loss on Amended Creditor's Proposal (Note 8)	-	-	-	(598,900)
Write-off of asset	-	(4,508)	-	(4,508)
<b>Income/(loss) before taxes</b>	<b>(261,913)</b>	<b>(327,083)</b>	<b>3,900,256</b>	<b>(1,037,282)</b>
Future income tax (recovery)/expense (note 9)	(415,056)	-	4,576,863	-
<b>Net income/(loss) for the period</b>	<b>153,143</b>	<b>(327,083)</b>	<b>(676,607)</b>	<b>(1,037,282)</b>
<b>Basic and diluted income/(loss) per common share</b>				
	\$ 0.00	\$ (0.01)	\$ (0.00)	\$ (0.03)
<b>Weighted average number of common shares outstanding - basic and diluted</b>				
	<b>1,426,851,789</b>	<b>49,185,789</b>	<b>1,273,764,778</b>	<b>32,996,228</b>

**Consolidated Statements of Comprehensive Income/(Loss)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income (loss)	\$ 153,143	\$ (327,083)	\$ (676,607)	\$ (1,037,282)
<b>Other comprehensive loss</b>				
Gain on available for sale securities	757,418	-	757,418	-
Future tax expense	(98,464)	-	(98,464)	-
Foreign currency translation adjustment	-	(35,352)	-	(8,205)
<b>Comprehensive Income/(loss)</b>	<b>812,097</b>	<b>(362,435)</b>	<b>(17,653)</b>	<b>(1,045,487)</b>

The accompanying notes are integral part of these financial statements.

**GOLD WHEATON GOLD CORP.**  
**Consolidated Statements of Cash Flows**  
**For the three and six months ended June 30, 2009 and 2008**  
**In US dollars (Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Cash Flows From (used in):</b>				
<b>Operating Activities</b>				
Net income/(loss)	\$ 153,143	\$ (327,083)	\$ (676,607)	\$ (1,037,282)
Adjustments for:				
Depreciation and depletion	3,992,813	-	5,776,920	-
Unrealized foreign exchange loss/(gain)	3,215,395	6,723	1,970,574	(1,567)
Gain on mark-to-market on warrants held	(316,238)	-	(316,238)	-
Future income tax	(415,056)	-	4,576,863	-
Interest expense	465,061	-	828,231	-
Stock-based compensation	560,414	231,250	560,414	231,250
Write-off of asset	-	4,508	-	4,508
	<b>7,655,532</b>	<b>(84,602)</b>	<b>12,720,157</b>	<b>(803,091)</b>
Changes in non-cash working capital (Note 11)	<b>1,399,152</b>	<b>(947,313)</b>	<b>(363,842)</b>	<b>(228,882)</b>
	<b>9,054,684</b>	<b>(1,031,915)</b>	<b>12,356,315</b>	<b>(1,031,973)</b>
<b>Investing Activities</b>				
Purchase of short-term investments	(101,110,276)	-	(114,110,155)	-
Redemption of short-term investments	48,348,959	-	52,589,249	-
Purchase of long term investments	(2,016,250)	-	(2,016,250)	-
Mineral Interests	-	-	(75,017,078)	-
	<b>(54,777,567)</b>	<b>-</b>	<b>(138,554,234)</b>	<b>-</b>
<b>Financing Activities</b>				
Issuance of long term debt	49,479,117	-	49,499,477	-
Warrants exercised	1,866,532	-	2,129,661	-
Proceeds from issuance of equity securities	-	1,495,948	89,263,000	1,495,948
Share issue costs	255,790	-	(4,535,566)	-
	<b>51,601,439</b>	<b>1,495,948</b>	<b>136,356,572</b>	<b>1,495,948</b>
<b>Increase in cash</b>	<b>5,878,556</b>	<b>464,033</b>	<b>10,158,653</b>	<b>463,975</b>
<b>Cash, beginning of the period</b>	<b>5,795,200</b>	<b>323</b>	<b>1,515,103</b>	<b>381</b>
<b>Cash, end of the period</b>	<b>\$ 11,673,756</b>	<b>\$ 464,356</b>	<b>\$ 11,673,756</b>	<b>\$ 464,356</b>
<b>Non-cash transactions:</b>				
Common shares issued for finders fee		\$ 67,302		\$ 67,302
Common shares issued for settlement of debt		\$ 497,000		\$ 497,000
Warrants issued related to debt financing	\$ 3,208,930	\$ -	\$ 3,208,930	\$ -
<b>Supplemental cash flow information (Note 11)</b>				

**GOLD WHEATON GOLD CORP.**  
**Consolidated Shareholders' Equity**  
**June 30, 2009**  
**In US dollar (Unaudited)**

	Common Shares	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive (Loss)/Income	Total
<b>At September 30, 2007</b>	<b>\$ 1,120,498</b>	<b>\$ -</b>	<b>\$ 18,218</b>	<b>\$ (1,732,930)</b>	<b>\$ (143,597)</b>	<b>\$ (737,811)</b>
Private placement - April 21, 2008	1,346,033	144,967	-	-	-	1,491,000
Finder's fee	67,302	7,248	-	-	-	74,550
Settlement of outstanding debt	497,000	-	-	-	-	497,000
Share issuance costs	(69,281)	(7,248)	-	-	-	(76,529)
Warrants exercised	519,945	(23,445)	-	-	-	496,500
Fair value of stock options (Note 10)	-	-	3,566,601	-	-	3,566,601
Options exercised	367,785	-	(98,718)	-	-	269,067
Private placement - July 8, 2008	225,112,213	30,025,787	-	-	-	255,138,000
Share issuance costs	(11,865,100)	(1,582,856)	-	-	-	(13,447,956)
Share issuance costs tax recovery	3,084,610	410,366	-	-	-	3,494,976
Mineral interest acquisition	174,597,500	-	-	-	-	174,597,500
Promissory note amendment (Note 4)	1,984,750	-	297,712	-	-	2,282,462
Other comprehensive income	-	-	-	-	5,959	5,959
Net loss	-	-	-	(5,448,726)	-	(5,448,726)
<b>At December 31, 2008</b>	<b>396,763,255</b>	<b>28,974,819</b>	<b>3,783,813</b>	<b>(7,181,656)</b>	<b>(137,638)</b>	<b>422,202,593</b>
Public offering - March 5, 2009	84,146,280	5,116,720	-	-	-	89,263,000
Share issuance costs	(4,535,566)	(276,076)	-	-	-	(4,811,642)
Share issuance costs tax recovery	1,058,488	56,049	-	-	-	1,114,537
Warrants exercised	2,250,457	(120,796)	-	-	-	2,129,661
Warrants issued on debt financing	-	3,208,930	-	-	-	3,208,930
Expired warrants	-	(722)	722	-	-	-
Stock based compensation (Note 10)	-	-	560,414	-	-	560,414
Net Income	-	-	-	(676,607)	-	(676,607)
Other comprehensive loss	-	-	-	-	658,954	658,954
<b>At June 30, 2009</b>	<b>\$ 479,682,914</b>	<b>\$ 36,958,924</b>	<b>\$ 4,344,949</b>	<b>\$ (7,858,263)</b>	<b>\$ 521,316</b>	<b>\$ 513,649,840</b>

As at June 30, 2009, the total deficit and accumulated other comprehensive income/(loss) was \$7,336,947 (December 31, 2008 - \$7,319,294).

**GOLD WHEATON GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
**In US dollars (Unaudited)**

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**1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS**

Gold Wheaton Gold Corp. (“Gold Wheaton” or “the Company”) is a mining company with 100% of its operating revenue from the sale of gold and other precious metals.

The Company has entered into a long-term gold and other precious metal contract with FNX Mining Company Inc. (FNX Operations in Canada) and a long-term gold contract with First Uranium Corporation (Mine Waste Solutions tailings recovery operation in South Africa) (Note 4). The production of gold and other precious metals are impacted by the continued operations of the counterparties. The Company does not control the mining operations. At any time, any of the operators of the mines may suspend or discontinue operations.

The Company is actively pursuing further growth opportunities, primarily by way of entering into long-term gold purchase contracts.

**2. BASIS OF PRESENTATION**

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim financial information and they follow the same accounting policies and methods of application as the audited financial statements of the Company for the fifteen month period ended December 31, 2008, except as discussed in Note 3. These unaudited interim consolidated financial statements do not include all the information and note disclosures required by generally accepted accounting principle for annual financial statements and therefore should be read in conjunction with the most recent annual audited consolidated financial statements.

In the opinion of management, all adjustments (including normal and recurring adjustments) necessary to present fairly the financial position as at June 30, 2009 and the results of operations and cash flows for all periods presented have been made. The interim results are not necessarily indicative of results for the full year.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) PRINCIPLES OF CONSOLIDATION**

The unaudited interim consolidated financial statements include the accounts of the Company and its 100% owned subsidiary Gold Wheaton (Barbados) Corporation.

**b) CHANGE IN ACCOUNTING POLICIES**

Effective January 1, 2009, the Company has adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”). These accounting standards were adopted on a retrospective basis with restatement of prior period financial statements. The new standards are as follows:

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) CHANGE IN ACCOUNTING POLICIES (continued)**

***Inventories***

Section 3031, "Inventories", which replaces Section 3030 establishes standards for the measurement and disclosure of inventories. This Section provides more extensive guidance in the following areas: the determination of cost, including allocation of overhead; limitation of permitted cost formulas; and expansion of disclosure requirements to increase transparency. The adoption of this accounting standard did not have any impact on the Company's financial statements.

***Goodwill and Intangible Assets***

Section 3064 "Goodwill and Intangible Assets establishes guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. In addition, Section 3450 "Research and Development Costs" was withdrawn from the Handbook. Adopting this accounting standard did not have a material effect on the Company's financial statements.

**c) FUTURE ACCOUNTING PRONOUNCEMENTS**

***Business combination, non-controlling interest, and consolidation***

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, ("Section 1582"), 1601, Consolidated Financial Statements, ("Section 1601") and 1602, Non-controlling Interests, ("Section 1602") which replaces CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

***International Financial Reporting Standards***

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company continues to monitor, and assess, the impact of the conversion of Canadian GAAP to IFRS.

**GOLD WHEATON GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
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**In US dollars (Unaudited)**

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**4. ACQUISITIONS**

**FNX**

On July 15, 2008, the Company entered into an agreement with FNX Mining Company Inc. (“FNX”) to purchase 50% of the contained gold equivalent ounces in ore mined and shipped from the FNX Operations. Total upfront consideration paid was \$399.1 million (CDN\$400 million). In addition the Company will pay for each gold equivalent ounce delivered, a cash payment of the lesser of \$400 (subject to an inflationary adjustment on July 1, 2011) or the then prevailing market price per ounce of gold. The \$399.1 million was satisfied by the payment of \$174.6 million in cash, the issue of 350 million common shares valued at \$174.6 million (CDN \$175 million) and a promissory note for \$49.9 million (CDN\$50 million) (the “Note”). The Company incurred \$161,085 of acquisition costs related to the transaction.

On December 8, 2008, the Company restructured the terms of the Note. The due date of the Note was extended for 18 months to July 16, 2010. The Note may be repaid at either FNX’s or the Company’s option through the issuance of common shares of the Company determined by dividing CDN\$50 million by the lesser of: (a) \$1.00; and (b) the greater of: (i) the 20-day volume average price of the Company’s common shares ending June 30, 2010; and (ii) \$0.20. As consideration for amending the Note, the Company issued 10 million common shares to FNX.

The Note has an imputed interest rate of 3.88% and the estimated fair value of the equity component of the Note was determined using the Black-Scholes Model. The assumptions used in estimating the fair value are summarized as follows:

Risk free interest rate	1.37%
Divident yield	Nil
Expected volatility	63.20%
Expected life	1.5 years

**Mine Waste Solutions (“MWS”)**

On November 28, 2008, the Company entered into an agreement with Chemwes (Proprietary) Limited, a subsidiary of First Uranium Corporation (“First Uranium”). Gold Wheaton will purchase the greater of 20,000 ounces of gold in 2009 and 25 percent of the gold production and thereafter 25 percent of the life-of-mine gold production from First Uranium’s Mine Waste Solutions tailings recovery operation (“MWS”) in South Africa. Total upfront payment was \$125 million of which \$75 million was paid in the three month period ended March 31, 2009.

In addition, the Company will pay an ongoing payment equal to the lesser of \$400 per ounce and the prevailing spot price (subject to an annual inflation adjustment starting in 2012).

The Company incurred \$173,909 of acquisition costs related to the transaction.

**GOLD WHEATON GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
**In US dollars (Unaudited)**

**5. MINERAL INTERESTS**

(in thousands)	June 30, 2009			December 31, 2008		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
FNX	\$ 399,240	\$ 8,964	\$ 390,276	\$ 399,240	\$ 5,389	\$ 393,851
MWS	125,174	2,252	122,922	50,174	50	50,124
	<u>\$ 524,414</u>	<u>\$ 11,216</u>	<u>\$ 513,198</u>	<u>\$ 449,414</u>	<u>\$ 5,439</u>	<u>\$ 443,975</u>

The value allocated to reserves is classified as depletable and is depreciated on a unit-of-production basis over the estimated recoverable proven and probable reserves at the mine. The value associated with resource and exploration potential is the value beyond proven and probable reserves allocated at acquisition and is classified as non-depletable until such time as it is transferred to the depletable category as a result of the conversion of resources or exploration potential into reserves or written off due to non-recoverability.

(in thousands)	June 30, 2009			December 31, 2008		
	Depletable	Non- Depletable	Total	Depletable	Non- Depletable	Total
FNX	\$ 5,179	\$ 385,097	\$ 390,276	\$ 8,754	\$ 385,097	\$ 393,851
MWS	116,688	6,234	122,922	47,624	2,500	50,124
	<u>\$ 121,867</u>	<u>\$ 391,331</u>	<u>\$ 513,198</u>	<u>\$ 56,378</u>	<u>\$ 387,597</u>	<u>\$ 443,975</u>

**6. LONG TERM INVESTMENTS**

	June 30, 2009		December 31, 2008	
	Cost	Mark to Market	Fair Value	
Available-for-sale				
Shares	\$ 1,768,244	\$ 757,418	\$ 2,525,662	\$ -
Held for trading				
Warrants	248,006	316,238	564,244	-
	<u>\$ 2,016,250</u>	<u>\$ 1,073,656</u>	<u>\$ 3,089,906</u>	<u>\$ -</u>

During the three months ended June 30, 2009, Gold Wheaton acquired by way of an equity offering 6,250,000 common shares and 3,125,000 warrants of Sandstorm Resources Ltd (“Sandstorm”) for total consideration of \$2.0 million. The warrants are exercisable at a price of \$0.60 until April 23, 2014. The Sandstorm Chief Executive Officer is a director of the Company.

For the three and six months ended June 30, 2009, the Company recorded mark-to-market gains in other comprehensive income and net income of \$757,418 and 316,238 respectively (Three and six months ended June 30, 2008 - \$nil).

**GOLD WHEATON GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
**In US dollars (Unaudited)**

**6. LONG TERM INVESTMENTS (continued)**

The Company applied the relative fair value approach which allocates the considerations paid based on the relative fair value of the common shares and warrants. The estimated fair value of warrants granted was determined using the Black-Scholes Model. The assumptions used in estimating the fair value are summarized as follows:

	<b>June 30, 2009</b>
Risk free interest rate	1.59%
Dividend yield	Nil
Expected volatility	45.82%
Expected warrant life	5

**7. LONG TERM LIABILITIES**

(in thousands)	<b>June 30, 2009</b>	<b>December 31, 2009</b>
FNX Note (CDN\$50 million)	\$ 41,289,269	\$ 38,672,887
10% Senior Secured Notes due May 26, 2014:		
Series 1	44,371,343	-
	<b>\$ 85,660,612</b>	<b>\$ 38,672,887</b>

**The carrying value of the Secured 1 Notes is as follows:**

	<b>CDN</b>	<b>US</b>
Original promissory note	\$ 57,000,000	\$ 50,992,200
Warrants issued	(3,587,000)	(3,208,930)
Transaction costs	(1,868,487)	(1,668,767)
Interest	608,648	538,652
Foreign exchange	-	(1,811,867)
	<b>52,153,161</b>	<b>44,841,288</b>
Interest included in accounts payable and accrued liabilities	(546,595)	(469,945)
	<b>\$ 51,606,566</b>	<b>\$ 44,371,343</b>

On May 26, 2009, the Company issued the 10% Senior Secured Notes due May 26, 2014, Series 1 (the "Secured 1 Notes"), with a principal amount of CDN\$57 million. The principal amount of CDN\$57 million is due on May 26, 2014 and the effective interest rate of 12.5%. Under the Note Indenture, the Company is required to maintain certain financial covenants. At June 30, 2008, the Company is in compliance with its debt covenants. The Secured 1 Notes are secured by the Company mineral interests.

In connection with the issuance of the Secured 1 Notes, the Company issued 71,250,000 warrants exercisable at \$0.50 per warrant to the Secured 1 Notes holders. The estimated fair value of the

**GOLD WHEATON GOLD CORP.**  
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**In US dollars (Unaudited)**

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**7. LONG TERM LIABILITIES (continued)**

warrants was determined using the Black-Scholes Model. The assumptions used in estimating the fair value are summarized as follows:

	<b>June 30, 2009</b>
Risk free interest rate	1.83%
Dividend yield	Nil
Expected volatility	45.54%
Expected warrant life	5

**8. RELATED PARTY TRANSACTIONS**

During the three and six months ended June 30, 2009, the Company recorded consulting fees of \$140,392 and \$278,063 respectively (three and six months ended June 30, 2008 - \$nil) to companies controlled by a director or officer.

During the three and six months ended June 30, 2009, the Company purchased \$4,236,682 and \$6,323,734, respectively, (three and six months ended June 30, 2008 - \$nil) of precious metals from FNX which owns approximately 26% of the Company's common stock and has one director in common. At June 30, 2009, the Company owes FNX \$5,954,451 which has been recorded in accounts payable and accrued liabilities.

For the three and six months ended June 30, 2008, the Company had the following transactions with companies related to a common former director or officer:

	<b>Three Months Ended June 30, 2008</b>	<b>Six Months Ended June 30, 2008</b>
Management fees	\$ -	\$ 8,984
Legal and consulting fees	-	66,992
Debt settlement	674,828	674,828
Payment of a portion of the related parties balance at September 30, 2007	105,757	105,757
Debt settlement through issuance of common shares (note 10)	248,500	248,500

These transactions were in the normal course of operations and were measured at the exchange amount which was the amount established and agreed to by the related parties.

**9. INCOME TAX**

The Company changed its functional reporting currency for taxes from the Canadian dollar to the US dollar. As a result, the Company recorded an increase in future tax expense of \$4.5 million, an increase in share issue costs net of tax of \$0.1 million and an increase in future income tax liabilities of \$4.6 million.

**GOLD WHEATON GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
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**In US dollars (Unaudited)**

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**10. SHARE CAPITAL**

**a) Share capital**

Authorized:

- Unlimited common shares without par value.
- Unlimited preferred shares without par value.

**b) Issued**

Common shares:

	<b>Number of Common Shares</b>
<hr/>	
<b>Balance, September 30, 2006 and 2007</b>	16,806,668
Issued pursuant to April 21, 2008 private placement	30,000,000
Issued shares as a finder's fee	1,500,000
Issued pursuant to settlement of outstanding debt	10,000,000
Issued pursuant to July 8, 2008 private placement	520,000,000
Issued for mineral purchase	350,000,000
Issued pursuant to amended note (Note 4)	10,000,000
Options exercised	820,000
Warrants exercised	5,095,000
<hr/>	
<b>Balance, December 31, 2008</b>	944,221,668
Issued pursuant to March 5, 2009 public offering	460,000,000
Warrants exercised	26,248,000
<hr/>	
<b>Balance, June 30, 2009</b>	<u>1,430,469,668</u>

On March 5, 2009, the Company completed a public offering (the "Public Offering"). The Public Offering consisted of 460,000,000 units, at a price of CDN\$0.25 per unit. Each unit consists of one common share and one-half warrant. Each warrant is exercisable for one additional common share at a price of CDN\$0.50 per share, for a period of two years.

The Company applied the relative fair value approach which allocates the gross proceeds based on the relative fair value of the common shares and warrants. The estimated fair value of warrants granted was determined using the Black-Scholes Model. The weighted average assumptions used in estimating the fair value are summarized as follows:

	<b>June 30, 2009</b>
<hr/>	
Risk free interest rate	1.14%
Dividend yield	Nil
Expected volatility	60.29%
Expected warrant life	2 years
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The estimated fair value per warrant was \$0.07.

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**10. SHARE CAPITAL (continued)**

**c) Share Purchase Warrants**

As at June 30, 2009, the following share purchase warrants were outstanding:

	Number of Warrants	Weighted Average Exercise Price (CDN)	Expiry date
<b>Balance, September 30, 2006 and 2007</b>	-	<b>\$0.00</b>	
Private Placement - April 21, 2008	30,000,000	\$0.10	April 21, 2009
Issued warrants as a finder's fee	1,500,000	\$0.10	April 21, 2009
Private Placement - July 8, 2008	259,999,999	\$1.00	July 8, 2013
Exercised	(5,095,000)	\$0.10	
<b>Balance, December 31, 2008</b>	<b>286,404,999</b>	<b>\$0.92</b>	
Public Offering- March 5, 2009	230,000,000	\$0.50	March 5, 2011
Exercised	(26,248,000)	\$0.10	
Expired	(157,000)	\$0.10	
Debt Offering - May 26, 2009 (Note 7)	71,250,000	\$0.50	May 26, 2014
<b>Balance, June 30, 2009</b>	<b>561,249,999</b>	<b>\$0.73</b>	

**d) Stock Options**

The Company follows the policies of the TSX-V, under which it is authorized to grant options to acquire up to 10% of the issued and outstanding common stock of the Company (the "Plan"). Under the Plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years.

A summary of the changes in stock options is presented below:

	Number of Options	Weighted Average Exercise Price (CDN)
<b>Balance, September 30, 2006 and 2007</b>	-	<b>\$0.00</b>
Granted	18,550,000	\$0.57
Exercised	(820,000)	\$0.37
<b>Balance, December 31, 2008</b>	<b>17,730,000</b>	<b>\$0.58</b>
Granted	7,920,000	\$0.25
<b>Balance, June 30, 2009</b>	<b>25,650,000</b>	<b>\$0.48</b>

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**10. SHARE CAPITAL (continued)**

**d) Stock Options (continued)**

At June 30, 2009, stock options to purchase common shares were exercisable as follows:

Exercise Price (CDN)	Number of Options		Contractual Life (Years)
	Outstanding	Exercisable	
\$0.37	1,055,000	1,055,000	3.83
\$0.59	16,125,000	16,125,000	3.95
\$0.60	550,000	550,000	4.30
\$0.25	7,920,000	7,920,000	4.87
	25,650,000	25,650,000	4.24

In May 2009, the Company granted 7,920,000 options at an exercise price of CDN\$0.25. These options vested immediately.

During the three and six months ended June 30, 2009, the Company recorded stock based compensation expense of \$560,414 (Three and six months ended June 30, 2008 - \$231,250). The weighted average fair value of the stock options granted was \$0.16 per stock option. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options, using the following weighted average assumptions:

	Three and Six Months Ended June 30,	
	2009	2008
Weighted average risk free interest rate	1.83%	3.03%
Dividend yield	Nil	Nil
Expected volatility	45.51%	33.26%
Weighted average expected option life	5 years	4.88 years

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**11. SUPPLEMENTAL CASH FLOW INFORMATION**

a) Changes in non-cash working capital are as follows:

	<b>Three Months Ended June</b>		<b>Six Months Ended</b>	
	<b>2009</b>	<b>30,</b> <b>2008</b>	<b>2009</b>	<b>June 30,</b> <b>2008</b>
Accounts receivable	\$ 1,430,778	\$ -	\$ (269,398)	\$ -
Other receivable	(16,568)	8,526	123,846	4,606
Prepaid and deposits	17,768	-	146,879	-
Accounts payable and accrued liabilities	(32,826)	(849,981)	(365,169)	(145,011)
Related party	-	(88)	-	2,118
Loan payable	-	(105,770)	-	(90,595)
<b>Change in non-cash working capital</b>	<b>\$ 1,399,152</b>	<b>\$(947,313)</b>	<b>\$ (363,842)</b>	<b>\$(228,882)</b>

b) The Company made no cash outlays in respect of interest and taxes.

**12. FINANCIAL INSTRUMENTS**

*Market Risk*

*i) Currency Risk*

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company receives revenue in US dollars, incurs expenses in US and Canadian dollars and its reporting currency is the US dollar. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have a material effect on the Company's results of operations, financial position or cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations.

At June 30, 2009, the Company is exposed to currency risk through the following financial assets and liabilities denominated in Canadian dollars:

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**12. FINANCIAL INSTRUMENTS (continued)**

*Market Risk (continued)*

*i) Currency Risk (continued)*

	<b>June 30, 2009</b>
Cash	\$ 820,660
Short-term investments	47,032,091
Long-term investments	3,089,906
Deposits	43,850
Other receivables	52,092
Accounts payable and accrued liabilities	(588,376)
Long-term liabilities (note 7)	(86,130,557)
	<u>\$ (35,680,334)</u>

Based on the above net exposures at June 30, 2009, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in approximately \$2.7 million increase or decrease in the Company's after-tax net earnings.

*ii) Commodity price risk*

The profitability of the Company will be significantly affected by changes in the market price of platinum, palladium and gold. The level of interest rates, the rate of inflation, world supply and demand of precious metals and stability of exchange rates can all cause significant fluctuations in precious metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

A 10% change in commodity prices would impact the Company's net income as follows:

	<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
Gold price	\$ 1,542,783	\$ -
Platinum price	\$ 396,511	\$ -
Palladium price	\$ 91,531	\$ -

### **13. COMMITMENTS**

#### **FNX**

In connection with the FNX gold purchase contract (note 4), the Company has committed to purchase 50% of the contained gold equivalent ounces in ore mined and shipped from the FNX Operations. For each gold equivalent ounce delivered, a cash payment of the lesser of \$400 (subject to an inflationary adjustment starting in 2011) or the then prevailing market price per ounce of gold.

#### **MWS**

In connection with the MWS gold purchase contract (note 4), the Company has committed to purchase 25% of the gold produced subject to a minimum 20,000 ounces in 2009 from MWS in South Africa. For each gold ounce delivered, a cash payment of the lesser of \$400 per ounce and the prevailing spot price (subject to an annual inflation adjustment starting in 2012).

### **14. CAPITAL DISCLOSURE**

The capital structure of the Company consists of long term liabilities (Note 7) and equity comprising of issued capital, share purchase warrants, contributed surplus, deficit and accumulated other comprehensive income.