SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Financial Statements
July 31, 2009 and 2008

SmytheRatcliffe
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SOLOMON RESOURCES LIMITED

We have audited the consolidated balance sheets of Solomon Resources Limited as at July 31, 2009 and 2008 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
October 30, 2009

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SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Balance Sheets (Note 1)
July 31

		2009		2008
ASSETS				
Current				
Cash and cash equivalents	**$**	120,078	$	286,151
Tenement bond (Note 4)		10,720		283,298
Receivables		188,328		73,344
Prepaid expenses		22,480		27,228
		341,606		670,021
Property and Equipment (Note 5)		45,300		44,190
Marketable Securities (Note 6)		156,953		1,310,697
Mineral Property Interests (Note 8)		1,840,442		3,196,039
	$	2,384,301	$	5,220,947
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	134,537	$	317,565
Directors' loans (Note 11)		100,000		-
		234,537		317,565
Shareholders' Equity				
Share capital (Note 9)		25,941,179		25,494,867
Subscriptions received		25,000		-
Contributed surplus		753,438		733,038
Accumulated other comprehensive income (loss)		(47,678)		127,244
Deficit		(24,522,175)		(21,451,767)
		2,149,764		4,903,382
	$	2,384,301	$	5,220,947

Commitments (Note 12)
Subsequent Events (Note 13)

Approved on behalf of the Board:

"Randall S. Rogers" (signed)
.... Director
Randall S. Rogers

"Ronald K. Netolitzky" (signed)
.... Director
Ronald K. Netolitzky

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Statements of Operations
Years Ended July 31

		2009		2008
General and Administrative Expenses				
Management fees	$	321,358	$	199,973
Professional fees		187,133		229,436
Office and miscellaneous		78,266		96,466
Travel, promotion and shareholder costs		56,376		150,375
Flow-through share financing costs		28,676		53,591
Stock exchange fees		22,892		17,331
Rent and administrative services		22,610		43,292
Stock-based compensation		20,400		22,800
Transfer agent fees		19,997		3,308
Amortization		19,957		5,547
Loss Before Other Items and Income Taxes		(777,665)		(822,119)
Other items				
Residual oil and gas income		11,623		20,473
Interest income		5,901		64,753
Gain (loss) on sale of investments, net		(139,854)		1,232,722
Gain on disposal of assets held-for-sale		-		411,736
Write-off of expenditures on resource properties		(2,598,162)		(2,120,785)
Recovery of expenditures on resource properties		550,378		486,000
Interest expense (note 11(e))		(100,000)		-
Gain (loss) on foreign exchange		1,066		(84,314)
		(2,269,048)		10,585
Loss Before Income Taxes		(3,046,713)		(811,534)
Income Taxes Recovery (Expense)				
Current		(23,695)		-
Future		-		649,863
		(23,695)		649,863
Net Loss for the Year	$	(3,070,408)	$	(161,671)
Loss Per Share - Basic and Diluted	$	(0.52)	$	(0.03)
Weighted Average Number of Common Shares Outstanding		5,880,004		5,426,040

See notes to consolidated financial statements.

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Statements of Shareholders’ Equity
Years Ended July 31

	Capital Stock		Contributed	Subscriptions	Accumulated Other Comprehensive		Total Shareholders'
	Shares	Amount	Surplus	Received	Income (Loss)	Deficit	Equity
Balance July 31, 2007	$ 5,426,040	$ 26,162,381	$ 710,238	$ -	$ 446,188	$ (21,290,096)	$ 6,028,711
Net loss for the year	-	-	-	-	-	(161,671)	(161,671)
Other comprehensive income (loss)	-	-	-	-	-	-	-
Unrealized foreign exchange gain	-	-	-	-	71,669	-	71,669
Reclassification of net gain on realization of marketable securities	-	-	-	-	(282,188)	-	(282,188)
Unrealized loss on marketable securities	-	-	-	-	(108,425)	-	(108,425)
Comprehensive loss for year							**(480,615)**
Share issuance cost of flow-through share renunciations	-	(667,514)	-	-	-	-	(667,514)
Stock-based compensation	-	-	22,800	-	-	-	22,800
Balance July 31, 2008	5,426,040	25,494,867	733,038	-	127,244	(21,451,767)	4,903,382
Net loss for the year	-	-	-		-	(3,070,408)	(3,070,408)
Other comprehensive income (loss)							
Unrealized loss on available-for-sale marketable securities	-	-	-	-	(356)	-	(356)
Transfer to income of realized loss on sale of marketable securities	-	-	-	-	(102,025)	-	(102,025)
Unrealized foreign exchange loss on translation of self-sustaining entity	-	-	-	-	(72,541)	-	(72,541)
Comprehensive loss for year							**(3,245,330)**
Shares issued for cash							
Private placement	555,625	277,812	-	-	-	-	277,812
Share issue costs	-	(6,500)	-	-	-	-	(6,500)
Shares issued for non-cash							
Issue of shares for interest in resource property	88,500	75,000	-	-	-	-	75,000
Interest expense on directors' loans	200,000	100,000	-	-	-	-	100,000
Stock based compensation			20,400				20,400
Subscriptions received	-	-	-	25,000	-	-	25,000
Rounding adjustment on consolidation	(5)	-	-	-	-	-	-
Balance July 31, 2009	6,270,160	$ 25,941,179	$ 753,438	$ 25,000	$ (47,678)	$ (24,522,175)	$ 2,149,764

See notes to consolidated financial statements.

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Years Ended July 31

		2009		2008
Operating Activities				
Net loss for the year	$	(3,070,408)	$	(161,671)
Items not involving cash				
Amortization		19,957		5,547
Stock-based compensation		20,400		22,800
Interest expense		100,000		-
Write-off of expenditures on resource properties		2,598,162		2,120,785
Loss (gain) on sale of investments		139,854		(1,232,722)
Future income tax recovery		-		(649,863)
Gain on asset held for sale		-		(411,736)
Foreign exchange loss		-		84,314
Recovery of expenditures previously written off on resource properties		-		(486,000)
		(192,035)		(708,546)
Changes in non-cash working capital items				
Accounts receivable		(113,315)		(25,142)
Prepaid expenses		4,685		62,978
Accounts payable and accrued liabilities		(182,252)		150,669
		(290,882)		188,505
Cash used in Operating Activities		(482,917)		(520,041)
Financing Activities				
Proceeds on issue of shares, net		271,312		-
Subscriptions received		25,000		-
Proceeds on receipt of loans from directors		500,000		-
Repayment of loans from directors		(400,000)		-
Cash provided by Financing Activities		396,312		-
Investing Activities				
Proceeds on sale of investments, net		869,945		2,266,118
Tenement bond		240,044		(18,162)
Purchase of equipment		(21,067)		(47,184)
Cash expenditures on resource properties		(1,167,564)		(3,828,660)
Cash used in Investing Activities		(78,642)		(1,627,888)
Inflow / (Outflow) of Cash and Cash Equivalents		(165,247)		(2,147,929)
Effect of Foreign Exchange on Cash		(826)		-
Cash and Cash Equivalents, Beginning of Year		286,151		2,434,080
Cash and Cash Equivalents, End of Year	$	120,078	$	286,151
Cash and Cash Equivalents Consists of:				
Cash on hand	$	102,078	$	203,151
Term deposits		18,000		83,000
	$	120,078	$	286,151

Supplemental disclosure with respect to cash flows (note 14)

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Solomon Resources Limited (the "Company") was incorporated on August 1, 1989, under the laws of British Columbia. The Company is in the process of exploring and developing its resource property interests and has not determined whether the properties contain economically recoverable reserves of ore. The Company has not earned significant revenues from its resource property interests and is considered to be in the exploration stage.

The Company's financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast doubt on the validity of this assumption. The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its debts and liabilities, and maintain its mineral interest. The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition, exploration and development of mineral properties, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and continue to explore mineral property interests. There is no assurance that these plans will be successful.

The Company reported net losses of $3,070,408 and $161,671 for the years ended July 31, 2009 and 2008, respectively, has an accumulated deficit in the exploration stage of $24,522,175 as at July 31, 2009 (2008 - $21,451,767) and accumulated other comprehensive loss of $47,678 (2008 - $127,244 income). Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars, which is the Company's functional and reporting currency. These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, SRM XXK (a Mongolian corporation), Valhalla Minerals U.S. Incorporated (a Delaware corporation) and Thor Gold Alaska Inc. (an Alaskan Corporation), and the Company's wholly-owned self-sustaining subsidiary, Solomon (Australia) Pty. Ltd. (an Australian corporation). All significant intercompany balances and transactions have been eliminated.

(b) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and term deposits held with banks readily convertible into known amounts of cash and purchased with original maturities of three months or less.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Mineral property interests and deferred exploration costs

All costs related to the acquisition, exploration and development of mineral property interests are capitalized on a property-by-property basis. If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property interest is impaired, that property is written down to its estimated fair value.

Mineral property interests are reviewed annually for impairment or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

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

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to income.

(d) Oil and gas properties

Substantially all oil and gas exploration and production activities are conducted through joint ventures and, accordingly, these consolidated financial statements reflect only the Company's proportionate share of assets, liabilities, revenues and expenses of the joint ventures.

(e) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years.

(f) Accounting for equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to warrants based on their relative fair values, calculated using the Black-Scholes option pricing model and the fair value of common shares.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options or warrants is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable.

For directors, employees and non-employees, the fair value of the options and warrants is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus, over the vesting period. If and when the stock options and warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

(h) Asset retirement obligations (“ARO”)

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO to the extent of the liability recorded are charged against the amount provided. Actual costs incurred in excess of the liability recorded are charged to operations in the period incurred. The Company assessed its mineral properties and, based upon such assessments, there were no known material AROs as at July 31, 2009 or 2008.

(i) Revenue recognition

Revenues are recognized on the following bases:

(i) Interest income is recorded on an accrual basis as earned at the effective interest rate over the term of the related instrument; and

(ii) Revenue from the sale of petroleum and natural gas is recorded when the petroleum is sold or the natural gas is delivered and collectability is reasonably assured.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currency translation

Foreign currency balances, including those of foreign subsidiaries, are expressed in Canadian dollars on the following bases for the Company's integrated subsidiaries:

- Monetary assets and liabilities that are denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the exchange rates in effect at the date of the transaction, except for amortization, which is translated at the historical rate. Exchange gains and losses arising on translation are included in the statements of operations.

Foreign currency balances, including those of foreign subsidiaries, are expressed in Canadian dollars on the following bases for the Company's self-sustaining subsidiaries:

- Monetary assets and liabilities that are denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rates for the year. Exchange gains and losses arising on translation are included in other comprehensive income.

(k) Use of estimates

The preparation of 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates include accrued liabilities, the carrying value of mineral property interests, AROs, the assumptions used in the calculation of the fair value of stock-based compensation expense and the determination of the valuation allowance for future income tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(l) Earnings (loss) per share

Basic earnings/loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Flow-through shares

The Company may from time to time issue flow-through common shares to finance its mineral exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholder the income tax attributes of qualifying mineral exploration costs financed by such shares. The tax impact to the Company of the renouncement is recorded on the date the renunciation is filed with taxation authorities, through a decrease in share capital and the recognition of a future income tax liability. Where available, the Company offsets future income tax liabilities with future income tax assets, resulting in recognition of a future income tax recovery for previously unrecognized future income tax assets.

(n) Share capital

Share capital issued for non-monetary consideration is recorded at fair market value pursuant to the agreement to issue shares as determined by the board of directors of the Company based on the trading price of the shares on the TSX Venture Exchange ("TSX-V") as of the date of issuance.

(o) Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this 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 basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the instrument.

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 held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost. Available-for-sale financial instruments 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 initial recognition. Financial instruments are classified as follows:

Cash and cash equivalents – as held-for-trading
Tenement bond – held-to-maturity
Receivables – as loans and receivables
Marketable securities – as available-for-sale
Accounts payable and accrued liabilities – as other financial liabilities
Directors' loans – as other financial liabilities.

Transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

(q) Changes in accounting policies

(i) Capital Disclosures

The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1535, "Capital Disclosures", requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital. The new section was adopted effective August 1, 2008. Note 7 provides further details.

(ii) Financial Instruments

CICA Handbook Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation", replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performance, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interests, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new sections were adopted effective August 1, 2008. Note 3 provides further details.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Changes in accounting policies (Continued)

(iii) Going Concern

The CICA amended Section 1400, “General Standards of Financial Statement Presentation”, which requires management to assess an entity’s ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity’s ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The adoption did not have a material impact on the financial statements for any of the periods presented. The new section has been adopted effective August 1, 2008. The Company’s accounting policies were already in accordance with the requirements of the amended section and there was no effect on the Company’s consolidated financial statement disclosure, or on its consolidated financial position or results of operations.

(r) Future accounting changes

(i) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, replacing Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is effective for the Company on August 1, 2009. The Company has determined that the adoption of this change will have no impact on the disclosure in its consolidated financial statements.

(ii) International Financial Reporting Standards (“IFRS”)

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 generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The changeover date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending July 31, 2011. While the Company 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.

(Expressed in Canadian Dollars)

3. FINANCIAL INSTRUMENTS

The fair value of marketable securities is based on quoted market prices as disclosed in Note 6. The fair values of the Company's cash and cash equivalents, tenement bond, receivables, and accounts payable and accrued liabilities, and directors' loans approximate their carrying values due to the short terms to maturity. The Company's financial instrument categories amount to the following:

Financial Instrument Category		Amount
Held-for-trading	$	120,078
Loans and receivables	$	188,328
Available-for-sale	$	156,953
Held-to-maturity	$	10,720
Other financial liabilities	$	234,537

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk and market risk, which includes foreign exchange risk and interest rate risk. The types of risk exposure and the way in which such exposure is managed are provided 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.

The Company's credit risk is primarily attributable to financial assets including cash and cash equivalents and receivables. The Company's total exposure to credit risk is $308,406. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality Canadian financial institutions. Receivables from government bear minimal risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash at July 31, 2009 in the amount of $120,078 in order to meet short-term business requirements. At July 31, 2009, the Company has current liabilities (less accrued liabilities) of $87,046 and directors' loans of $100,000. All of the Company's financial liabilities are due within 30 days.

3. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The significant market risk exposures to which the Company is exposed are:

(i) Foreign currency risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars, Australian dollars (AU) and Mongolian funds). The Company is not exposed to significant foreign currency risk. The Company does not manage currency risk through hedging or other currency management tools.

(ii) Interest rate risk

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact future cash flows related to interest income. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to significant other price risk with respect to its marketable securities. Assuming all other variables remain constant, a 50% decrease or increase in the market price of the Company’s marketable securities would result in a $78,477 decrease or increase, respectively, in the Company’s comprehensive income or loss.

4. TENEMENT BOND

At July 31, 2008, the Company held a tenement bond $283,298 (AU $292,000) to ensure the Company had adequate financial resources to finance future rehabilitation costs. A provision that had previously been made to reflect estimated costs for rehabilitation of claims was assumed by Integra Mining Ltd. (“Integra”) during the year ended July 31, 2008 when Integra purchased the tenements to which the provision related. Upon assumption of the provision by Integra, the Company reclassified the amounts previously held as a tenement bond to a short-term investment. As at July 31, 2009, the tenement bond balance was $10,720 (AU $12,000).

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	2009		
	Cost	**Accumulated Amortization**	**Net Book Value**
Equipment	$ 70,804	$ 25,504	$ 45,300

	2008		
	Cost	**Accumulated amortization**	**Net Book Value**
Equipment	$ 49,737	$ 5,547	$ 44,190

6. MARKETABLE SECURITIES

	2009		
	Number of Shares	**Market Value**	**Cost**
Integra Mining Ltd. (ASX:IGR)	706,745	$ 151,520	$ 205,531
Orezone Gold Corporation (TSX:ORE)	10,250	5,433	5,789
		$ 156,953	$ 211,320

	2008		
	Number of Shares	**Market Value**	**Cost**
Integra Mining Ltd. (ASX:IGR)	1,806,745	$ 420,697	$ 558,773
Brett Resources Inc.(TSX.V:BBR)	1,000,000	890,000	714,000
		$ 1,310,697	$ 1,272,773

The carrying value of marketable securities is equal to market value determined by the quoted closing market price on the respective exchanges.

Subsequent to July 31, 2009, the Company sold 500,000 shares of Integra for gross proceeds of AU $143,500.

7. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, it does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of equity units. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company considers its capital to be all components of shareholders' equity. The Company 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 Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that it will be successful in the future due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the year.

(Expressed in Canadian Dollars)

8. MINERAL PROPERTY INTERESTS

	Burkino Faso	Metla	Mongolia SRM	Sleitat	Bowron Basin Coal	Taiwan	EYAP	COL	Nook / Rook	Goldcreek	Bonanza	Cry Lake	Total
	(note 8(a))		(note 8(b))	(note 8(c))	(note 8(d))	(note 8(e))	(note 8(f))	(note 8(g))	(note 8(h))	(note 8(i))	(note 8(j))	(note 8(k))	
Balance, July 31, 2007	**$ 1**	**$ 1**	**$ 735,511**	**$ 1**	**$ 109,639**	**$ -**	**$ 135,255**	**$ 504,304**	**$ 14,638**	**$ -**	**$ -**	**$ -**	**$ 1,499,350**
Expenditures During Year													
Drilling	-	-	1,607,240	-	-	-	8,112	541,757	-	-	-	-	2,157,109
Personnel	-	-	139,869	-	-	-	-	321,935	-	-	-	-	461,804
Camp costs and assays	-	-	613,657	-	-	801	-	419,020	2,919	-	-	-	1,036,397
Options payments / land renewal payments	-	-	58,740	486,000	28,424	-	-	75,000	-	-	-	-	648,164
Write-off of expenditures	-	-	(97,045)	-	-	(801)	(143,367)	(1,862,015)	(17,557)	-	-	-	(2,120,785)
Recovery of expenditures	-	-	-	(486,000)	-	-	-	-	-	-	-	-	(486,000)
Balance, July 31, 2008	**1**	**1**	**3,057,972**	**1**	**138,063**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	3,196,039
Expenditures During Year													
Drilling	-	-	-	-	-	-	-	-	-	351,322	-	-	351,322
Personnel	-	-	435,066	-	-	-	-	11,412	-	135,674	150,378	15,238	747,768
Camp costs, travel and assays	-	-	-	-	-	-	-	5,983	-	179,252	43,037	1,650	229,922
Mapping	-	-	-	2,550	-	-	-	2,345	-	1,029	9,070	255	15,249
Options payments / land renewal payments	-	-	-	4,952	-	-	-	-	-	150,000	40,000	-	194,952
Write-off of expenditures	-	(1)	(1,621,500)	(7,502)	(138,063)	-	-	(13,819)	-	(817,277)	-	-	(2,598,162)
Recovery of expenditures	(387,000)	-	(246,800)	-	-	-	-	(163,379)	-	-			(797,179)
Current year BC METC credit	-	-	-	-	-	-	-	(5,921)			(40,497)	(3,429)	(49,847)
Property exchanged for investment	386,999	-	-	-	-	-	-	-	-	-	-	-	386,999
Recognition of recovery	-	-	-	-	-	-	-	163,379	-		-	-	163,379
Balance July 31, 2009	**$ -**	**$ -**	**$ 1,624,738**	**$ 1**	**$ -**	**$ -**	**$ -**	**$ 1**	**$ -**	**$ -**	**$ 201,988**	**$ 13,714**	**$ 1,840,442**

8. MINERAL PROPERTY INTERESTS (Continued)

(a) Burkina Faso - West Africa

On August 7, 2008, the Company reached an agreement with Channel Resources Limited ("Channel") and Orezone Resources Inc. ("Orezone Resources") whereby the Company and Channel sold their remaining interests in the Bombore Gold Project to Orezone Resources. Consideration for the remaining interests in Bombore, including the 1% net smelter return royalty ("NSR"), was 450,000 common shares in Orezone Resources, issued in September 2008 and valued at $387,000. The Company had previously written the carrying value of their interests down to a nominal value and accordingly recognized a recovery of $386,999.

In February 2009, the Company exchanged its 450,000 shares in Orezone Resources for 36,000 shares in IAMGOLD Corporation and 56,250 shares in Orezone Gold Corporation (a new corporation) pursuant to a plan of arrangement under the *Canada Business Corporations Act*. All of the Company's shares in IAMGOLD and 46,000 of its shares in Orezone Gold Corporation were sold prior to the year-end (see Note 6).

(b) SRM XXK, Mongolia

In January 2006, the Company formed its 100%-owned Mongolian subsidiary SRM XXK - Solomon Resources Mongolia, enabling it to acquire and develop projects in Mongolia exclusive of the Gallant agreement (which had governed the Company's previous investments in Mongolia).

The Company was granted five mineral licenses in 2006 including:

- Airag 1: Dornogobi Province
- Airag 2: Dornogobi Province
- Airag 3: Dornogobi Province
- Matad 1: Dornod Province
- Matad 2: Dornod Province.

On November 8, 2006, the Company negotiated a letter of intent ("LOI") to acquire a 100% interest in the Zamtiin Gol uranium property from Erdenyn Erel LLC ("Erdenyn Erel"), a private Mongolian company. The Zamtiin Gol property was located in Arkhangai Province in west-central Mongolia.

The Company was granted three additional licences in July 2007, being:

- Dornogobi 1: Dornogobi Province, Mongolia
- Dornogobi 2: Dornogobi Province, Mongolia
- Uvurkhangai: Uvurkhangai Province, Mongolia.

During the year ended July 31, 2008, the Company was granted two additional licenses, being:

- Dornogobi 3: Dornogobi Province, Mongolia
- Dornogobi 4: Dornogobi Province, Mongolia.

8. MINERAL PROPERTY INTERESTS (Continued)

(b) SRM XXK, Mongolia (Continued)

During the year ended July 31, 2008, the Company relinquished the following licenses and wrote off related deferred exploration expenditures of $97,045:

- Airag 1: Dornogobi Province
- Airag 3: Dornogobi Province
- Matad 1: Dornod Province
- Matad 2: Dornod Province.

During the year ended July 31, 2009, the Company relinquished the following licenses:

- Airag 2 Dornogobi Province
- Uvurkhangai: Uvurkhangai Province
- Zamtiin Gol: Arkhangai Province

and sold Dornogobi 4: Dornogobi Province, for proceeds of $109,575, of which $55,250 was received prior to July 31, 2009 and $21,355 was received in August 2009. The balance will be received after the transfer of licenses have been effected by the relevant authorities in Mongolia.

During the year ended July 31, 2009, the Company recovered an amount of $137,225 by way of a refund of Value Added Taxes paid in Mongolia over a number of years.

Subsequent to July 31, 2009, the Company has relinquished the following licenses:

- Dornogobi 1: Dornogobi Province
- Dornogobi 2: Dornogobi Province.

During the year ended July 31, 2009, the Company has written off deferred exploration expenditures of $1,621,500 with respect to the licenses relinquished.

The Company retains ownership of the following license, being carried at the value of deferred exploration expenditure allocated to that license:

- Dornogobi 3: Dornogobi Province, Mongolia.

(c) Sleitat Mountain, Alaska

The Company acquired by staking a 100% interest in the Sleitat Mountain deposit near Dillingham, southwest Alaska. In July 2005, the Company granted Brett Resources Inc. (“Brett”), a related party with one common director, an option to acquire an 80% interest in the Sleitat Mountain property by issuing 1,000,000 common shares of Brett to the Company over a four-year period. Brett issued 200,000 shares to the Company upon receipt of all approvals. Subsequently, Brett issued an additional 200,000 shares on each anniversary date in fulfillment of the option agreement. With Brett having fully vested at 80% in the project, further exploration or development expenditures are to be shared 80/20. Should a given party be diluted to less than a 10% participating interest, that party will retain only a 1% NSR on subsequent production of any metals from the property.

8. MINERAL PROPERTY INTERESTS (Continued)

(c) Sleitat Mountain, Alaska (Continued)

During the year ended July 31, 2009, the Company contributed $7,502 towards the cost of maintaining the property and other relevant costs. As the joint venture has no present plans to develop the property, this amount was written down to a nominal value.

During the year ended July 31, 2008, the Company received final payment of 400,000 shares of Brett pursuant to the option agreement, which were recorded at a fair market value of $486,000.

(d) Bowron Basin Coal Project, British Columbia

On June 28, 2006, the Company was granted four coal licenses by the province of British Columbia for the Bowron Basin Coal Project located approximately 50 kilometres east of Prince George in the Cariboo Mining Division. Rents totaling $28,492 are due annually.

The Company held three mineral claims in the Cariboo Mining Division. The claims were located over the central portion of the above coal licenses in March 2007.

The mineral claims were abandoned on March 15, 2009 and the Bowron Basin Coal licenses were relinquished on June 28, 2009 and deferred costs of $138,063 were written off.

(e) Taiwan

The Company was a 50% partner in a joint venture to acquire exploration ground in Taiwan. Deferred costs were written off in 2007 and 2008. The joint venture was dissolved in August 2009.

(f) Eyapamikama (“EYAP”) Lake Project, Ontario

On August 23, 2006, the Company negotiated a LOI to acquire up to a 60% interest in the Eyapamikama Lake property (formerly the “Arseno Lake Property”) located in the Patricia Mining Division of northwestern Ontario.

The Company failed to reach an agreement with the North Caribou Lake First Nations regarding a work program planned for winter 2007/08. The Company wrote-off its cumulative investment of $143,367 during the year ended July 31, 2008.

(g) COL Copper-Gold Property, British Columbia

In December 2006, the Company acquired an option to earn a 100% interest in the COL prospect located in the Omineca Mining District in north-central British Columbia. The COL Property is comprised of 16 mineral claims.

To exercise the option, the Company was required to:

(i) Make cash payments to the optionors totalling $1,775,000; and
(ii) Carry out exploration expenditures on the Property totalling $2,200,000 over five years.

8. MINERAL PROPERTY INTERESTS (Continued)

(g) COL Copper-Gold Property, British Columbia (Continued)

On exercising the option, the Company was required to grant the optionors a 2% NSR of which one-half could be repurchased on or before December 31, 2011 for $2,000,000. Beyond the fifth anniversary and before commencement of commercial production, the Company was required to pay the optionors an advance royalty of $600,000 per year, which was to be adjusted annually for inflation and credited against the 2% NSR. The advance royalty payments were to be reduced to $300,000 if the Company purchased one-half of the NSR or if the Company determined that the property was not economic within an additional 36-month period.

Between December 2006 and May 2007, the Company acquired by on-line staking the 32 Magnet mineral claims in the Omineca Mining Division in north-central British Columbia.

During the year ended July 31, 2009, the Company received mineral exploration tax credits of $163,379 related to prior year expenditures.

The Company determined that it would not continue exploration on the Property and expenditures of $1,862,015 and $13,819 have been written off in the years ended July 31, 2008 and 2009, respectively.

The Company retains the 32 claims acquired in 2006/2007 outside of the option tenures but has no plans to conduct exploration on this tenure.

(h) Nook and Rook Property, British Columbia

In April 2007, the Company acquired by staking the four Nook and three Rook mineral claims in the Cariboo Mining Division. The Nook and Rook property is approximately 50 kilometres east of Prince George, British Columbia. During the year ended July 31 2008, the Company determined that the claims had no value, resulting in a write-off of $17,557.

(i) Goldcreek Property, Ontario

In September 2008, the Company signed a LOI with Mengold Resources Inc. (“Mengold”) to earn up to a 50% interest in the Goldcreek Archean Property located approximately 70 kilometres west of Thunder Bay, in the Shebandowan area of northwestern Ontario. The 90 contiguous claims are located in Conacher, Duckworth, Horne, Laurie and Sackville Townships.

The Company could earn up to a 50% interest in the Property by conducting an exploration program over three years totaling $5,400,000, making a $100,000 cash payment to Mengold and issuing common shares of the Company to Mengold with a fair value of $375,000 over three years (the initial $50,000 tranche was satisfied by the issuance of 38,500 shares at a fair value of $1.30 per share).

8. MINERAL PROPERTY INTERESTS (Continued)

(i) Goldcreek Property, Ontario (Continued)

The Company was unable to satisfactorily finalize arrangements with Mengold and therefore terminated its involvement in the Project on September 22, 2009 and has written off the expenditure thereon ($817,277).

(j) Bonanza Property, British Columbia

In March 2009, the Company entered into an option agreement with Cazador Resources Ltd. (“Cazador”), to acquire a 60%, or if it so elects, a 100% interest in the Bonanza-Sitka Property located 40 kilometres northeast of Port Hardy, British Columbia.

To acquire a 60% interest in the property, the Company will be required to pay $160,000 and issue 350,000 shares to Cazador over three years; 50,000 shares with a fair value of $25,000 were issued to Cazador in May 2009. The Company can acquire the remaining 40% interest by paying $100,000 and issuing 150,000 shares to Cazador by the end of the fourth year. If the Company fully exercises the option, Cazador shall be granted a 2.5% NSR on the property. Should the property be placed into commercial production, the Company can purchase the royalty from Cazador until the fifth anniversary of the commencement of commercial production for $1,500,000. If the Company only acquires a 60% interest in the property, it shall form a joint venture with Cazador for the further exploration of the property. The Company would be the operator of the joint venture.

(k) Cry Lake Property, British Columbia

In June 2009, the Company entered into an agreement to acquire all the shares of Avasca Inc. (“Avasca”), a private British Columbia corporation, for $154,000. The agreement closed subsequent to July 31, 2009. Avasca’s sole asset is an option to acquire a 51% interest in the Cry Lake (formerly “Nizi Creek”) Property in the Liard Mining Division, British Columbia, from Kaminak Gold Corporation (“Kaminak”). The Cry Lake Property is located 80 kilometres northeast of Dease Lake, British Columbia. The property is subject to a 2% underlying NSR in favour of a third party.

The option is exercisable by the Company issuing 400,000 units to Kaminak in four tranches of 100,000 each over a period of three years and carrying out exploration of $2,000,000 by December 31, 2011. Each unit consists of one common share of the Company and one share purchase warrant to purchase a further common share for one year at the market price of the Company’s shares at the time of the Exchange approval or, for the second, third and fourth tranches, at the market price of the time of issuance if that price is higher than the market price at the time of Exchange approval. Upon completion of the terms of the option, the Company and Kaminak will form a joint venture with the Company as operator. If Kaminak’s interest is reduced to 5%, such interest will be converted to a 1% NSR and, if the Company’s interest is reduced to 5%, such interest will be converted to a 2% NSR.

8. MINERAL PROPERTY INTERESTS (Continued)

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Realization of assets

The 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 upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties 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 or transfers and title may be affected by undetected defects.

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued

The Company did not issue any shares during the year ended July 31, 2008.

During the year ended July 31, 2009, the Company consolidated its share capital on a 10:1 basis. All share numbers in these notes and financial statements are post-consolidation numbers.

(i) In October 2008, the Company issued 38,500 common shares with a fair value of \$1.30 per share to Mengold with respect to the Goldcreek property in northwestern Ontario.

(ii) In May 2009, the Company issued 50,000 common shares with a fair value of \$0.50 per share to Cazador with respect to the Bonanza property.

(iii) In January 2009, the Company issued 555,625 units for gross proceeds of \$277,812. Each unit consisted of one common share and one share purchase warrant exercisable at \$1.00 to January 8, 2010.

(iv) In January 2009, as approved by the TSX-V, the Company issued 100,000 common shares to each of two directors as interest on short-term loans aggregating \$500,000 provided by the directors to the Company.

(c) Stock options

The Company has an incentive stock option plan (the "Plan") that allows it to grant options to its employees, directors, consultants and management company employees. Under the terms of the Plan, the exercise price of each option will not be lower than the lowest exercise price permitted by the TSX-V. The plan allows for a maximum of 10% of outstanding shares to be issued.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or management company employee, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of death, the option terminates at the earlier of 12 months after the date of death and the expiration of the option period.

Vesting of options is determined by the Board of Directors at the time the options are granted. Options issued to consultants providing investor relations activities must vest in stages over 12 months with no more than one-quarter of the options vesting in any three-month period.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

Stock option activity for the years ended July 31 is as follows:

	Number of Options	Exercise Price	Weighted Average Exercise Price
Outstanding, July 31, 2007	270,000	$2.50 to $3.95	$3.60
Granted	20,000	$3.60	$3.60
Forfeited	(51,000)	($2.50 to $3.60)	$3.50
Outstanding, July 31, 2008	239,000	$2.50 to $3.95	$3.60
Granted	102,000	$2.50	$2.50
Forfeited	(62,000)	$2.50 to $3.60	$3.42
Outstanding, July 31, 2009	279,000	$2.50 to $3.95	$3.23

The weighted average life of outstanding stock options at July 31, 2009 is 2.67 years (2008 – 2.93 years).

As at July 31, 2009, the following options were outstanding:

		Number of Options	
Expiry Date	Exercise Price	2009	2008
March 3, 2010	$3.60	-	10,000
June 5, 2010	$3.95	5,000	5,000
June 27, 2010	$3.50	25,000	25,000
November 18, 2010	$3.10	5,000	5,000
January 13, 2011	$3.60	55,000	80,000
April 20, 2011	$3.60	30,000	30,000
April 5, 2012	$3.60	47,000	64,000
January 9, 2013	$3.60	20,000	20,000
October 1, 2013	$2.50	92,000	-
Outstanding and exercisable		279,000	239,000

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

(d) Stock-based compensation

The fair value of each option granted was calculated using the following weighted average assumptions:

	2009	**2008**
Expected life (years)	5	3 - 5
Interest rate	3.55%	3.63%
Volatility	80.33%	77.50%
Dividend yield	0.00%	0.00%

The fair value of options granted and vested during the year ended July 31, 2009 was $20,400 (2008 - $22,800).

(e) Share purchase warrants

As at July 31, the following warrants were outstanding:

		Number of Warrants	
Expiry Date	**Exercise Price**	**2009**	**2008**
December 29, 2008	$5.00	-	210,161
February 28, 2009 / 2008	$7.50 / $5.00	-	116,667
July 5, 2009	$5.00	-	336,302
January 8, 2010	$1.00	555,625	-
		555,625	663,130
Weighted average exercise price		$1.00	$0.54

The weighted average life of outstanding warrants at July 31, 2009 is 0.44 years (2008 – 0.7 years).

(Expressed in Canadian Dollars)

10. INCOME TAXES

The Company has available non-capital losses that may be carried forward to apply against future years' income for income tax purposes. The approximate losses expire as follows:

Available to		**Amount**
2010	$	106,000
2015		293,000
2026		4,137,000
2027		378,000
2029		828,000
Indefinitely		3,031,000
	$	8,773,000

The tax losses above include approximately $3,576,000 that may be applied against future taxable income in the US over a 20-year period and $3,031,000 that may be applied against future taxable income in Australia indefinitely.

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2009		**2008**
Income tax benefit computed at Canadian statutory rates	$	(967,189)	$	(570,988)
Recovery of resource expenditures		(178,873)		(120,900)
Foreign affiliate property income		-		268,213
Other permanent differences		37,708		82,564
Write-down / write-off of properties		844,403		689,255
Other temporary differences		(24,081)		(254,557)
Changes in future income taxes resulting from enacted tax rate reduction		565,158		394,762
Change resulting from timing differences				
Write-off of mineral properties		(805,430)		(723,612)
Other timing differences		116,034		27,158
Change in valuation allowance		435,965		(441,758)
Income tax expense (recovery)	$	23,695	$	(649,863)

(Expressed in Canadian Dollars)

10. INCOME TAXES (Continued)

Significant components of the Company’s future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2009	2008
Future income tax assets at approximate tax rates		
Mineral properties	$ 2,408,421	$ 2,066,148
Other	56,317	57,043
Loss available for future periods	2,740,203	2,645,785
	5,204,941	4,768,976
Valuation allowance	(5,204,941)	(4,768,976)
	$ -	$ -

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures. As at July 31, 2009, the amount of flow-through proceeds remaining to be expended is $nil (2008 - $650,000).

The Company's carry-forward losses for Canadian tax purposes are $2,166,000 (2008 - $2,305,000), which may be carried forward to apply against future income for Canadian tax purposes.

The Company's carry-forward losses for US tax purposes are $3,576,000 (2008 - $3,577,000), which may be carried forward to apply against future income for US tax purposes, expiring between 2009 and 2026.

The Company's carry-forward losses for Australian tax purposes are $3,031,000 (2008 - $2,947,450), which may be carried forward to apply against future income for Australian tax purposes. These carry-forward losses are available indefinitely.

The Company also has resource tax pool deductions of $11,104,000 (2008 - $10,135,000), which may be carried forward indefinitely to apply against future income for Canadian tax purposes.

The future benefit of these loss carry-forwards and the resource deductions have not been recorded in these consolidated financial statements as the Company estimates that these losses will, more likely than not, not be realized.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Company:

(a) Paid office rent and administrative fees of $Nil (2008 - $18,000) to a company with a common officer;

(b) Paid $347,965 (2008 - $310,004) to officers and directors, which is included in management fees, stock-based compensation and fees capitalized to mineral properties (2008 - management fees and travel, promotion and shareholders' information);

(c) Included in prepaid expenses $5,000 (2008 - $11,000) in advances to officers;

(d) Included in accounts payable and accrued liabilities $18,703 (2008 - $38,000) payable to officers and directors; and

(e) In January 2009, the Company was advanced short-term loans aggregating $500,000 by two directors of the Company. The loans were non-interest bearing. As approved by the TSX-V, the Company issued 100,000 common shares to each of the two directors as a bonus payment resulting in an effective interest rate of 40%, valued at $100,000 using the closing quoted market price on date of issuance. The loans were repayable within six months or such other time scale as may be negotiated by the directors and the Company and are secured by a pledge of certain investments held by the Company. By July 31, 2009, the Company had repaid $400,000 and the balance was repaid subsequent to July 31, 2009.

All of the above transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. COMMITMENTS

Office lease commitment is as follows:

2010	$	17,268
2011	$	10,073

The Company has a lease for office premises at a rate of $1,439 per month. The remaining lease term is 19 months.

13. SUBSEQUENT EVENTS

(a) In August 2009, the Company closed a binding LOI with all the shareholders of Avasca Inc., a mineral exploration company, pursuant to which the Company agreed to purchase all of the outstanding shares of Avasca for a purchase price of $154,000. Avasca holds an option to acquire a 51% interest of the Cry Lake Property in northern British Columbia. See also Note 8(l).

(b) The Company issued 100,000 common shares at a fair value of $0.30 per share to Kaminak of Vancouver, British Columbia, in terms of a Letter of Agreement between Kaminak and Avasca regarding the option to acquire a 51% interest of the Cry Lake Property in northern British Columbia.

(Expressed in Canadian Dollars)

13. SUBSEQUENT EVENTS (Continued)

(c) The Company issued 1,036,000 units for $0.25 per unit in a private placement that closed in two tranches, in August and September 2009, for gross proceeds of $259,000. Each unit consists of one common share and one-half of one share purchase warrant. Each share purchase warrant is exercisable at $0.50; 358,000 share purchase warrants are exercisable to August 17, 2010 and 160,000 share purchase warrants are exercisable to September 4, 2010.

(d) The Company issued 2,435,713 flow-through units for $0.21 per unit in a non-brokered private placement that closed in two tranches, in September 2009 for gross proceeds of $325,000 and in October 2009 for gross proceeds of $186,500. Each unit consists of one common share and one non-flow-through warrant. Each warrant is exercisable for a period of two years at $0.30 in the first year and $0.40 in the second year.

(e) The Company repaid the balance of the directors' loan of $100,000 on October 5, 2009.

(f) The Company issued 500,000 common shares at a fair value of $0.24 each to Radius (Cayman) Inc of George Town, Cayman Islands, in terms of a Letter of Agreement between Radius Gold Inc. of Vancouver, British Columbia, and the Company regarding the option to acquire a 51% interest in the Ten Mile Creek Property in Dawson Mining District, Yukon Territory.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Supplemental Information

		2009		2008
Income tax paid	$	23,695	$	-
Interest paid	$	-	$	-
Marketable securities received for property payments	$	387,000	$	-
Bonus shares issued on directors' loans	$	100,000	$	-
Shares issued for interest in resource property	$	75,000	$	-
BC METC on resource properties	$	49,847	$	-
Mineral property interest expenditures included in accounts payable	$	14,464	$	95,848
Marketable securities received on option or sale of mineral property interest	$	-	$	486,000
Shares received for assets held for sale	$	-	$	945,134

15. SEGMENT DISCLOSURES

The Company's one reportable operating segment is the exploration of mineral properties. Geographical information at July 31 is as follows:

		2009		2008
Assets				
Canada	$	592,476	$	1,448,302
Australia		167,087		715,034
Mongolia		1,624,738		3,057,611
	$	2,384,301	$	5,220,947