SOLOMON RESOURCES LIMITED

Consolidated Financial Statements
July 31, 2007 and 2006

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, 2007 and 2006 and the consolidated statements of operations and deficit 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, 2007 and 2006 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
November 8, 2007

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SOLOMON RESOURCES LIMITED
Consolidated Balance Sheets (note 1)
July 31
(Expressed in Canadian Dollars)

	2007	2006
Assets		
Current		
Cash and cash equivalents	$ 2,434,080	$ 302,857
Accounts receivable	48,202	31,648
Prepaid expenses	90,206	17,788
Assets held for sale (note 6(b))	908,000	0
	3,480,488	352,293
Property and Equipment	2,553	1
Investments (note 5)	875,035	869,695
Tenement Bond (notes 4 and 6)	265,136	412,430
Investment In and Expenditures on Resource Properties (note 6)	1,499,350	4,058,540
	$ 6,122,562	$ 5,692,959
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 129,623	$ 32,304
Provision for Rehabilitation of Tenements (notes 4 and 6)	410,416	392,336
	540,039	424,640
Shareholders' Equity		
Capital Stock (note 7(b))	26,162,381	23,043,332
Contributed Surplus (note 7(e))	710,238	530,650
Deficit	(21,290,096)	(18,305,663)
	5,582,523	5,268,319
	$ 6,122,562	$ 5,692,959

Approved on behalf of the Board:

"Lawrence J. Nagy"
………………………………………………………………… Director
Lawrence J. Nagy

"Ronald K. Netolitzky"
………………………………………………………………… Director
Ronald K. Netolitzky

See notes to consolidated financial statements.

SOLOMON RESOURCES LIMITED
Consolidated Statements of Operations and Deficit
Years Ended July 31
(Expressed in Canadian Dollars)

	2007	2006
Revenues		
Interest	$ 51,976	$ 55,568
Oil and gas, net	20,434	14,160
	72,410	69,728
Expenses		
Professional fees (note 9(b))	403,227	541,244
Management fees	159,986	164,500
Office and miscellaneous (note 9(a))	117,914	95,652
Travel, promotion and shareholders' information	109,016	127,453
Rent and administrative services	32,000	32,685
Stock exchange fees	13,006	10,360
Transfer agent fees	9,156	8,622
	844,305	980,516
Loss from Operations	(771,895)	(910,788)
Other Items		
Gain on sale of investments	459,765	174,164
Foreign exchange gain (loss)	45,473	(36,638)
Write-off of investment in and expenditures on resource properties	(1,933,522)	(49,601)
Write-down of investment in and expenditures on resource properties	(898,254)	0
Recovery of resource expenditures	114,000	96,671
	(2,212,538)	184,596
Net Loss for Year	(2,984,433)	(726,192)
Deficit, Beginning of Year	(18,305,663)	(17,579,471)
Deficit, End of Year	$ (21,290,096)	$ (18,305,663)
Loss Per Share	$ (0.06)	$ (0.02)
Weighted Average Number of Common Shares Outstanding	48,509,895	42,381,524

See notes to consolidated financial statements.

SOLOMON RESOURCES LIMITED
Consolidated Statements of Cash Flows
Years Ended July 31
(Expressed in Canadian Dollars)

	2007	2006
Operating Activities		
Net loss	$ (2,984,433)	$ (726,192)
Items not involving cash		
Write-off of investment in and expenditures on resource properties	1,933,522	49,601
Write-down of investment in and expenditures on resource properties	898,254	0
Gain on sale of investments	(459,765)	(174,164)
Stock-based compensation	179,588	338,900
Recovery of resource expenditures	(114,000)	(96,671)
	(546,834)	(608,526)
Changes in non-cash working capital		
Accounts receivable	(16,554)	6,206
Prepaid expenses	(72,418)	(2,788)
Accounts payable and accrued liabilities	38,744	(81,417)
	(50,228)	(77,999)
Cash Used in Operating Activities	(597,062)	(686,525)
Financing Activity		
Proceeds from common shares issued, net	3,083,049	1,010,298
Investing Activities		
Proceeds on sale of investments	792,425	405,604
Expenditures on resource properties, net	(1,312,563)	(1,601,104)
Tenement bond	165,374	832,884
Cash Used in Investing Activities	(354,764)	(362,616)
Inflow (Outflow) of Cash	2,131,223	(38,843)
Cash and Cash Equivalents, Beginning of Year	302,857	341,700
Cash and Cash Equivalents, End of Year	$ 2,434,080	$ 302,857
Supplemental Information		
Income tax paid	$ 0	$ 0
Interest paid	$ 0	$ 0
Investments received on option or sale of properties	$ 338,000	$ 1,060,689
Units issued for finders' fee	$ 56,306	$ 0
Shares issued for property	$ 36,000	$ 221,994
Accrued resource property and expenditures and accounts payable and accrued liabilities	$ 58,575	$ 0

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS

Solomon Resources Limited (the "Company") was incorporated under the laws of British Columbia. Its principal business activity is the exploration for and development of natural resource properties either directly or indirectly through its investments.

The Company's consolidated financial statements have been presented on the basis that it will continue as a going-concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company reported net losses of $2,984,433 and $726,192 for the years ended July 31, 2007 and 2006, respectively, and has an accumulated deficit of $21,290,096 as at July 31, 2007 (2006 - $18,305,663). These recurring losses and the need for continued funding, raise substantial doubt about the Company's ability to continue as a going-concern. The Company's ability to continue as a going-concern is dependent upon additional financings being obtained in order to complete the exploration and development of the Company's resource properties, and realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect adjustments that would be necessary if the going-concern assumptions were not appropriate.

Since July 31, 2007, the Company has also shut down all operations in Chile and dissolved Solomon (Chile) SCM.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Valhalla Minerals U.S. Incorporated (a Delaware corporation), Thor Gold Alaska Inc. (an Alaskan corporation), Solomon (Australia) Pty. Ltd. ("Australia Pty") (an Australian corporation) and SRM XXK (a Mongolian corporation). All significant intercompany balances and transactions have been eliminated.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and Government of Canada Bonds with maturities of less than one year at the date of acquisition.

(c) Investments

The Company's investments in securities with quoted market values are accounted for on the cost basis. When there is a permanent impairment in the value of these investments on an individual stock-by-stock basis, their carrying values are written-down to quoted market value.

(d) Deferred expenditures

The Company is in the exploration stage with respect to its investment in resource properties and, accordingly, follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of resource properties, net of all incidental revenues received. At such time as production commences, these costs will be charged to operations on a unit-of-production method based on estimated recoverable reserves. When there is little prospect of further work on a property being carried out by the Company the costs of that property are charged to operations.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Deferred expenditures (Continued)

All deferred resource property expenditures are reviewed at least annually, on a property-by property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, or the Company's assessment of its inability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

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.

(e) 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.

(f) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(g) Foreign currency translation

Foreign currency balances, including those of foreign subsidiaries, are expressed in Canadian dollars on the following bases:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;

(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Revenues and expenses, at the average rate of exchange by quarter.

Gains and losses arising from the translation of foreign currency are included in net loss for the period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Loss per share

Loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. As the Company incurred net losses in fiscal 2007 and 2006, the share purchase warrants and options as disclosed in note 7 were not included in the computation of loss per share as their inclusion would be anti-dilutive.

(i) Flow-through common shares

The Company finances a portion of its resource property acquisition, exploration and development costs by the issuance of flow-through common shares. Income tax deductions relating to these expenditures are claimable only by the investors. Proceeds from flow-through share issuances are credited to capital stock. The estimated tax benefits transferred to shareholders are recorded as a future income tax liability and a reduction to capital stock at the time of renunciation.

(j) Stock-based compensation

The Company accounts for stock-based compensation expense using the fair value method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(k) Reclamation and closure costs

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. The original undiscounted costs are based on engineering estimates using current cost and in accordance with statutory legislation and general industry practice.

(l) Revenue recognition

Revenues are recognized on the following bases:

(i) Interest income is recorded on an accrual basis at the stated 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 collectibility is reasonably assured.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 the recovery of resource properties, the assumptions used in the estimation of the fair value of stock-based compensation expense, and the determination of the valuation allowance for future tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and would impact future results of operations and cash flows.

3. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The fair value of investments is based on quoted market values as disclosed in note 5. The fair value of the tenement bond approximates its carrying amount.

(b) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(c) Credit risk

The Company is not exposed to significant credit risk on its financial assets due to cash being placed with a major Canadian financial institution, accounts receivable being due from a joint venture partner and tenement bond being placed with the Department of Mines, in the State of Western Australia.

(d) Derivatives – mineral properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties (“NSR”), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the resource properties to which they relate are not sufficiently developed to reasonably determine value.

(e) Currency risk

The Company translates the results of foreign operations into Canadian currency using rates approximating the average exchange rate by quarter. The exchange rate may vary from time to time. To minimize currency risk, the Company maintains certain US and Australian funds for required future expenditures, which at July 31, 2007 were US $80,530 and Au $0. The Company does not use derivatives or similar instruments to manage currency risk.

(Expressed in Canadian Dollars)

4. TENEMENT BOND

The Company holds a tenement bond to ensure the Company has adequate financial resources to finance future rehabilitation costs. A provision has been made to reflect estimated costs for rehabilitation of claims (note 6(c)).

5. INVESTMENTS

	2007		
	Number of Shares	Market Value	Cost
Integra Mining Ltd.	5,047,485	$ 916,623	$ 641,635
Brett Resources Inc.	400,000	392,000	228,000
Prospector Cons. Resources Ltd.	90,000	12,600	5,400
		$ 1,321,223	$ 875,035

	2006		
	Number of Shares	Market Value	Cost
Integra Mining Ltd.	5,467,485	$ 877,995	$ 664,408
Brett Resources Inc.	200,000	150,000	114,000
Asia Gold Corp.	50,000	130,000	50,000
Skeena Resources Ltd.	512,667	148,673	35,887
Prospector Cons. Resources Ltd.	90,000	8,100	5,400
Maple Leaf Reforestation Ltd.	50,000	7,000	0
		$ 1,321,768	$ 869,695

Subsequent to July 31, 2007, the Company sold its investment in Prospector Cons. Resources Ltd. for net proceeds of $29,496.

Subsequent to July 31, 2007, the Company sold 3,000,000 shares of Integra Mining Ltd. (“Integra”) for Au $1,450,810 (Cdn $1,234,250).

(Expressed in Canadian Dollars)

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES

	Burkina Faso	Kalgoorlie Southeast Project	Annie	Metla	Mongolia Gallant	Mongolia SRM	Sleitat	Bowron Basin Coal	Taiwain	EYAP	COL	Nook/Rook	Total
	(note 6(a))	(notes 6(b), (c) and (d))	(note 6(e))	(note 6(f))	(note 6(g))	(note 6(h))	(note 6(i))	(note 6(j))	(note 6(k))	[illegible]	(note 6(m))	(note 6(n))	
Balance, July 31, 2005	$ 1	$ 3,174,737	$ 1	$ 1	$ 874,149	$ 0	$ 17,675	$ 0	$ 29,158	$ 0	$ 0	$ 0	$ 4,095,722
Expenditures During Year													
Field costs and personnel	0	149,397	19,748	0	929,226	113,742	0	0	29,853	0	0	0	1,241,966
Property acquisitions	0	0	0	0	445,803	150,000	0	33,859	23,524	0	0	0	653,186
Option payments received	0	(1,705,059)	0	0	(160,000)	0	(114,000)	0	0	0	0	0	(1,979,059)
Write-off of Expenditures	0	0	(19,748)	0	0	0	0	0	(29,853)	0	0	0	(49,601)
Recovery of Expenditures	0	0	0	0	0	0	96,326	0	0	0	0	0	96,326
Balance, July 31, 2006	1	1,619,075	1	1	2,089,178	263,742	1	33,859	52,682	0	0	0	4,058,540
Expenditures During Year													
Field costs and personnel	0	187,179	9,997	0	22,925	364,411	0	45,439	0	53,969	454,304	13,386	1,151,610
Property acquisitions	0	0	0	0	34,468	107,358	0	30,341	32,271	81,286	50,000	1,252	336,976
Option payments received	0	0	0	0	(308,000)	0	(114,000)	0	0	0	0	0	(422,000)
Write-down of Expenditures	0	(898,254)	0	0	0	0	0	0	0	0	0	0	(898,254)
Write-off of Expenditures	0	0	(9,998)	0	(1,838,571)	0	0	0	(84,953)	0	0	0	(1,933,522)
Recovery of Expenditures	0	0	0	0	0	0	114,000	0	0	0	0	0	114,000
Reclassification to Assets Held for Sale	0	(908,000)	0	0	0	0	0	0	0	0	0	0	(908,000)
Balance, July 31, 2007	$ 1	$ 0	$ 0	$ 1	$ 0	$ 735,511	$ 1	$ 109,639	$ 0	$ 135,255	$ 504,304	$ 14,638	$ 1,499,350

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(a) Burkina Faso - West Africa

In January 2007, Orezone Resources Inc. ("Orezone") notified the Company and partner Channel Resources Limited ("Channel") that it had earned its 50% interest reducing the Company's interest from 45% to 22.5%. Orezone met the requirements on its option agreement, having spent US $1.7 million before January 17, 2007. The Orezone expenditures were based on a recent drill program work that focused on defining several known higher-grade horizons within the Bombore Permit. Orezone can increase its interest to 70% by completing a bankable feasibility study. The remaining 30% interest, which will then be 16.5% owned by Channel and 13.5% by the Company, may then be purchased by Orezone for US $1 million, subject to a 1% NSR.

- During the year ended July 31, 2002, the Company and Channel granted Orezone an exclusive 60-day option to acquire an interest in the Bombore Permit in Burkina Faso and to acquire Channel Mining (Barbados) Company Ltd. ("Channel Barbados").
- During the year ended July 31, 2003, Orezone exercised this option and delivered a Heads of Agreement ("HOA") to Channel and the Company.
- During 2005, the Company entered into an Amending Agreement with Orezone and Channel for the Bombore Permit.
- The original Bombore Permit expired January 18, 2004 and, prior to that date, Orezone applied for a new permit in the name of its British Virgin Islands subsidiary, Orezone Inc. A new permit, reduced to 250 square kilometres was granted on February 17, 2004 ("Bombore 1 Permit").
- The Amending Agreement provides that Orezone holds the newly issued Bombore 1 Permit for the benefit of Channel (55%) and the Company (45%). Orezone was eligible to earn an undivided beneficial interest of 50% in the Bombore 1 Permit by expending:
  - A minimum of $300,000 on an exploration program on the Bombore 1 Permit within one year of the original HOA (done); and
  - An additional $1.7 million on exploration programs within the newly issued Bombore 1 Permit by no later than January 17, 2007 (done).

The remaining terms of the original HOA are unchanged. Channel and the Company continue to divide the payments and the royalty on a pro-rata basis.

(b) Kalgoorlie Southeast Project (formerly the "Mount Monger Gold Project"), Australia

During the year ended July 31, 2001, the Company, through Australia Pty, entered into an agreement with General Gold Resources, N.L. ("General Gold"), an Australian listed company, whereby the Company was able to earn a 100% interest in the Kalgoorlie Southeast Project.

During 2006, the Company announced that its wholly-owned subsidiary, Australia Pty, had executed the Final Agreement for the sale of Randall's Gold Project in Western Australia to Integra. The Randalls Gold Project was part of the Company's Kalgoorlie Southeast Project. The Company received 6,967,485 shares of Integra, of which 1,500,000 were sold during 2006, and the replacement of its environmental bonds of Au $998,000 in cash.

The Kalgoorlie Southeast Project above, Newcrest Kalgoorlie Southeast Project (note 6(c)) and Glandore Joint Venture (note 6(d)) have been written-down in 2007 by $858,937 to their estimated net realizable value, as estimated by management. The Company intends to sell the property and, accordingly, the net realizable value of $908,000 (Au $1,000,000) has been reclassified to assets held for sale.

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(c) Newcrest Kalgoorlie Southeast Project Joint Venture, Australia

During the year ended July 31, 2003, the Company entered into an agreement with Newcrest Mining Limited ("Newcrest") of Australia to continue the exploration of a large property portfolio in the Kalgoorlie area of Western Australia. The project, referred to as the Newcrest Kalgoorlie Southeast Project Joint Venture ("Newcrest KSP JV"), consists of 90 tenements totalling 265 square kilometres. The Joint Venture agreement calls for Newcrest to fund Au $2 million to earn a 75% working interest in the project over four years. After Newcrest has earned its 75% interest, the Company can elect to either maintain its 25% working interest or be diluted to a 10% carried interest. Upon a positive decision to commence mining, the Company has the additional option to revert to a royalty of 2% of the NSR.

As part of its responsibilities Newcrest must incur expenditures of not less than Au $600,000 (done) within the first 12 months and incur sufficient annual expenditures thereafter to maintain the tenements in good standing. As part of its first year expenditures, Newcrest will reimburse the Company up to Au $30,000 for expenses incurred by the Company prior to the commencement date (done).

Under the original Newcrest KSP JV agreement, Newcrest was granted a first right of refusal on an additional 25 tenements totaling 220 square kilometres that at the time of signing were under joint venture agreement with PDAP as part of the Newcrest KSP JV. Newcrest elected to option eight of these tenements. None of the tenements that incorporate the Mount Monger and Randalls mine centres are included in the Newcrest Joint Venture arrangement.

On December 16, 2005, Newcrest notified the Company that it had met the requirements to vest its 75% interest in the project. The Company elected to not participate in the 2006 work commitment, diluting its interest to 20%.

(d) Glandore Joint Venture, Western Australia

During the year ended July 31, 2004, the Company entered into a joint venture agreement with Harmony Gold Pty. Ltd. ("Harmony") of Australia for the Company's Glandore area tenements in the Kalgoorlie area of Western Australia. The Glandore property comprises two granted tenements and three tenement applications totaling approximately 1,600 hectares at the northwest extreme of the Company's KSP properties.

The terms of the agreement provide Harmony with a three-year farm-in period whereby it may earn a 51% interest in the property by spending Au $60,000 (done) in year one and earn an 80% interest by spending an additional Au $100,000 by the end of the third year, at which time a joint venture is formed giving the Company a 20% participating interest. Harmony may withdraw with no equity at any time after expending an initial Au $60,000. The Company can elect not to contribute to work programs and be diluted down to a minimum participating interest of 5% after the joint venture is formed. The Company may withdraw from the project without further cost after being diluted to a 5% interest.

On March 23, 2005, Harmony formally notified the Company that it had completed the requirements of its earn-in. The Company elected to maintain its 20% interest by funding its portion of the 2006 work budget.

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(e) Santa Candelaria II 1/5 (Annie Property), Chile

During the year ended July 31, 2003, the Company purchased 100% of the 50-hectare Santa Candelaria II 1/5 claim through its 100% subsidiary Solomon (Chile) SCM for cash payment of US $2,000 and issuance of 38,250 common shares. During the year ended July 31, 2005, the Company wrote-off $362,909 of its expenditures on the property. During the year ended July 31, 2007, the Company allowed the Santa Candelaria claim to lapse and revert to the government. All environmental requirements have been met. Since July 31, 2007, the Company has shut down all operations in Chile.

(f) Metla Project, British Columbia

During the year ended July 31, 2004, the Company acquired the Metla Project (also known as the Tatsa property comprised of 11 claims totaling 5,200 hectares) in the Atlin Mining District of British Columbia. The Tatsa property was staked by and is owned 100% by the Company. The claims remain valid to October 1, 2008.

During the year ended July 31, 2005, the Company wrote-down its interest in the Tatsa property by $300,973 to a nominal value.

(g) Gallant Option, Mongolia

In March 2005, the Company signed a Memorandum of Agreement with Gallant Minerals Ltd. (“Gallant”) to acquire up to an 80% interest in 20 gold and base metal projects in Mongolia.

The Company paid US $50,000 on signing the agreement and a further US $25,000 in April 2005. On closing, the Company paid an additional US $110,000, issued Gallant 1,000,000 shares of the Company and paid a finder’s fee of 200,000 shares of the Company.

To earn its initial 60% interest in the shares of the company that holds the projects, the Company must:

(i) on or before the first anniversary of the Closing Date, complete US $1,000,000 of work expenditures on the properties or pay any remaining balance to Gallant, deliver to Gallant, common shares of the Company worth the Canadian dollar equivalent of US $200,000 (done) legended as to any hold period required by securities regulatory authorities, and pay Gallant US $200,000 (done);

(ii) on or before the second anniversary of the Closing Date, expend an aggregate of US $3,000,000 of work expenditures (including expenditures spent during the first year after the Closing Date) on the properties or pay any remaining balance to Gallant, and deliver to Gallant common shares of the Company worth the Canadian dollar equivalent of US $450,000 legended as to the applicable hold period required by securities regulatory authorities, and pay Gallant US $300,000.

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(g) Gallant Option, Mongolia (Continued)

(iii) on or before the third anniversary of the Closing Date, expend an aggregate of US $6,000,000 of work expenditures (including expenditures spent during the first and second years after the Closing Date) on the properties or pay any remaining balance to Gallant, and pay Gallant US $400,000.

During the year ended July 31, 2006, the Company signed an earn-in agreement with Asia Gold (now South Gobi) on four of the 20 projects. The Company is no longer a party to the earn-in agreement with Asia Gold. Prior to the Company terminating the agreement with Gallant, Asia Gold paid the Company US $50,000 cash and 100,000 Asia Gold common shares upon closing. Asia Gold has also met its second anniversary commitments, paying the Company US $75,000 and issuing 95,821 Asia Gold shares to the Company during 2007.

In March 2007, the Company gave formal notice to Gallant terminating its participation under the terms of the agreement with Gallant and subsequently all residual interest in properties subject to the sub-agreement with Asia Gold Corp. (“Asia Gold”; now: South Gobi Energy Resources Ltd. “South Gobi”). In consideration of legislative changes in Mongolia, the Company considered the terms of the agreement as untenable and terminated the agreement prior to making the second anniversary payment.

During the year ended July 31, 2007, the Company wrote-off its net costs in the project of $1,838,571.

The Company is no longer participating in or earning an interest in, amongst other properties, the Bayantsaagan property, Chandman property or Tsakhir property.

(h) 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.

The Company was granted five mineral licenses in 2006 including:

- Airag 1: Dornogovi Province, 1,444 hectares uranium prospect;
- Airag 2: Dornogovi Province, 6,433 hectares uranium prospect;
- Airag 3: Dornogovi Province, 1,764 hectares uranium prospect;
- Matad 1: Dornod Province, 1,722 hectares uranium and coal prospect; and
- Matad 2: Dornod Province, 11,355 hectares uranium prospect.

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 39,165-hectare Zamtiin Gol property is located in Arhangai Province in west central Mongolia.

The Company can earn a 100% interest in the Zamtiin Gol property by paying Erdenyn Erel a total of US $50,000 ($10,000 on signing the LOI (done), and $15,000 and $25,000 on the first and second anniversaries, respectively). Erdenyn Erel will retain a 0.5% NSR royalty, which the Company may purchase for $250,000 within 12 months of the commencement of commercial production.

6. **INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES** (Continued)

(h) SRM XXK, Mongolia (Continued)

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

- Dornogobi 1: Dornogobi Province, Mongolia, 17,992 hectares uranium prospect;
- Dornogobi 2: Dornogobi Province, Mongolia, 39,793 hectares uranium prospect; and
- Uvurkhangai: Uvurkhangai Province, Mongolia, 62,705 hectares uranium prospect.

Since July 31, 2007, the Company was granted 2 additional licences, including:

- Dornogobi 3: Dornogobi Province, Mongolia, 17,992 hectares uranium prospect; and
- Dornogobi 4: Dornogobi Province, Mongolia, 39,793 hectares uranium prospect.

(i) 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 two common directors, 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 must initially issue 200,000 shares to the Company upon receipt of all necessary approvals (done). Subsequently, Brett must issue an additional 200,000 shares on each anniversary date as long as Brett has not terminated its interest in the project (first and second anniversary payments done). Upon Brett vesting at 80% in the project, further exploration or development expenditures would be shared 80/20. Should a given party be diluted to less than a 10% participating interest, the party would retain only a 1% NSR on subsequent production of any metals from the property.

(j) 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. The four licenses total 4,056 hectares and rents totaling $28,492 are due annually.

The Company holds three mineral claims totaling 1,374 hectares in the Cariboo Mining Division. The claims were located over the central portion of the above coal licenses in March 2007.

(k) Taiwan

The Company is a 50% partner in a joint venture to acquire exploration ground in Taiwan. The cumulative expenditures totaling $84,953 to date have been expensed since no land has been acquired to date.

(l) Eyapamikama Lake Project ("EYAP"), northwestern Ontario

On August 23, 2006, the Company negotiated a LOI to acquire up to a 60% interest in the Eyapamikama Lake polymetallic volcanic massive sulphide (VMS) project from Energold Minerals Inc. ("Energold"), a private company based in Toronto, Ontario, and Northern Dynasty Minerals Ltd. ("NDM") based in Vancouver, British Columbia. The 32-claim Eyapamikama Lake property (formerly the "Arseno Lake Property") is located in the Patricia Mining Division of northwestern Ontario.

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(l) Eyapamikama Lake Project ("EYAP"), northwestern Ontario (Continued)

The Company, as the operator, agreed to fund an initial exploration program of at least $25,600 by October 12, 2006 in exchange for an exclusive option to elect to earn a minimum 50% interest in the property (done).

Prior to January 31, 2007 (amended on February 28, 2007), the Company notified Energold and NDM of its intent to exercise the option. To earn a 50% interest the Company must:

- On or before January 31, 2007, issue to Energold and NDM a total of 100,000 shares and pay them a total of $35,000 or, at their option, 200,000 shares and no cash (done; 200,000 shares issued);
- On or before January 31, 2008, complete cumulative exploration expenditures of $1,000,000 and issue to Energold and NDM a total of 200,000 shares and pay them a total of $35,000 or, at their option, 400,000 shares and no cash; and
- On or before January 31, 2009, complete cumulative exploration expenditures of $2,000,000.

At the Company's option exercised before January 31, 2009, it can earn an additional 10% interest in the property, for a total 60%, by:

- On or before January 31, 2009, issue to Energold and NDM a total of 300,000 shares and pay them a total of $100,000; and
- On or before February 28, 2010, incur further exploration expenditures totaling $1,000,000.

The EYAP is subject to an underlying bonus payment scheme payable to Dunlop Explorations ("Dunlop"). Dunlop has accepted an agreement in principle whereby Dunlop will receive retention bonus payments of 1% of the annual project field costs, to a cumulative maximum total of $30,000. The Company will assume all responsibility for payment of the Dunlop bonus payments. Dunlop also holds a 2.5% net profits interest in the EYAP.

The Company has re-initiated consultation with the North Caribou Lake First Nations regarding a work program planned for winter 2007/08.

(m) COL Copper-Gold Property, British Columbia

In December 2006, the Company acquired an option to earn a 100% interest from Indata Resources Ltd. ("Indata") and Nation River Resources Ltd. ("Nation River"), of Courtenay, British Columbia, in the COL copper-gold-molybdenum prospect located in the Omineca Mining District in north central British Columbia. The COL Property is comprised of 16 mineral claims totaling 6,195 hectares.

The Company has signed an agreement whereby Indata and Nation River have granted to the Company an option to acquire a 100% undivided interest in and to certain mineral claims in the Omineca Mining Division, British Columbia, known as the "COL Property".

(Expressed in Canadian Dollars)

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

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

To exercise the option, the Company must;

(i) Make cash payments to Indata and Nation River totalling $1,775,000; and
(ii) Carry out exploration expenditures on the Property totalling $2,200,000 over five years period as follows:

Anniversary of Option Agreement	Cash Payment	Exploration Commitment
On Signing	$ 50,000 (Done)	$ 0
Year 1	75,000	100,000
Year 2	150,000	150,000
Year 3	300,000	150,000
Year 4	600,000	600,000
Year 5	600,000	1,200,000
Totals	$1,775,000	$2,200,000

On exercise of the option, the Company shall grant Indata and Nation River a 2% NSR royalty of which one-half may be re-purchased on or before December 31, 2011 for $2 million. Beyond the fifth anniversary and before commencement of commercial production, the Company must pay Indata and Nation River an advance royalty of $600,000 per year, which shall be adjusted annually for inflation and credited against the 2% NSR royalty. The advance royalty payments will be reduced to $300,000 if the Company purchases one-half of the NSR royalty or if the Company determines that the property is not economic within an additional 36-month period.

Magnet Property, British Columbia

Between December 2006 and May 2007, the Company acquired by on-line staking the 31 Magnet mineral claims in the Omineca Mining Division in north central British Columbia.

(n) Nook and Rook Property, British Columbia

In April 2007, the Company acquired by staking the four Nook and three Rook mineral claims totaling 3,130 hectares in the Cariboo Mining Division. The Nook and Rook property is approximately 50 kilometres east of Prince George, British Columbia.

Ownership in resource properties involves certain inherent risks due to the difficulties in determining the validity of certain interests as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource property interests. The Company has investigated the ownership of its interests and, to the best of its knowledge, they are in good standing.

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

(Expressed in Canadian Dollars)

7. CAPITAL STOCK

(a) Authorized
Unlimited common shares without par value

(b) Issued

	Number of Shares		Amount
Balance, July 31, 2005	39,237,531	$	21,787,040
Shares issued for			
Cash, private placement	1,926,000		674,100
Share issue costs			(47,802)
Exercise of warrants, cash	900,000		180,000
Exercise of options, cash	1,250,000		204,000
Property acquisition	847,305		221,994
Benefit recognized from options exercised	0		24,000
Balance July 31, 2006	44,160,836		23,043,332
Shares issued for			
Cash, private placement	9,899,562		3,330,329
Share issue costs			(247,280)
Property acquisition exercised	200,000		36,000
Balance, July 31, 2007	54,260,398	$	26,162,381

During the year ended July 31, 2007, the Company completed three private placements, issuing a total of 9,899,562 shares for gross proceeds of $3,330,329.

(i) In December 2006, the Company issued 4,203,212 flow-through units consisting of 3,310,640 "super" flow-through units at $0.35 per unit and 892,572 regular flow-through units at $0.33 per unit for gross proceeds of $1,453,273. Each unit consisted of one flow-through common share and one-half of one non-flow-through, transferable common share purchase warrant. Each full warrant is exercisable at $0.50 to December 29, 2008.

The warrants are subject to an accelerated expiry provision, whereby the exercise period of the warrants may be reduced, upon notice to the holders and at the election of the Company, if the closing price of the shares is equal to or greater than $0.75 per share for ten consecutive trading days. If this condition is met and the Company so elects, the exercise period will be reduced to 25 business days from the date notice is provided by the Company to the warrant holders.

7. CAPITAL STOCK (Continued)

(b) Issued (Continued)

(ii) In February 2007, the Company issued 2,333,333 flow-through units for gross proceeds of $700,000. Each unit consisted of one flow-through common share and one-half of one non-flow-through transferable warrant. Each full warrant is exercisable at $0.55 to February 28, 2008 or $0.75 to February 28, 2009.

The warrants are subject to the same accelerated expiry provision as the December issue.

(iii) In July 2007, the Company issued 3,202,142 units for gross proceeds of $1,120,750. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at $0.50 to July 5, 2009. The warrants are subject to the same accelerated expiry provision as the December placement, except that the trading period is extended from 10 days to 20 days.

As part of the issue costs finder's fees of 160,875 units totaling $56,306 were paid.

(iv) During the year ended July 31, 2006, the Company completed a private placement of 1,926,000 units for gross proceeds of $674,100. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share for two years at a price of $0.35 per share in the first year and $0.50 per share in the second year. If the closing trading price of the Company's shares for five consecutive trading days equals or exceeds $0.45 per share after a four-month restricted resale period in the first year, or $0.60 per share in the second year, the Company may give the warrant holders notice that they must exercise the warrants or the warrants will expire within 20 days of such notice. Finder's fees were paid, consisting of cash commissions totaling 7% of proceeds and warrants to purchase up to a total of 152,100 common shares for a period of 12 months at a price of $0.40 each.

(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 Exchange. 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)

7. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

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

	Number of Shares	Exercise Amount	Weighted Average Exercise Price
Outstanding, July 31, 2005	2,650,000	$ 0.15 to $ 0.395	$ 0.26
Granted	1,740,000	$ 0.25 to $ 0.36	$ 0.26
Expired/forfeited	(1,000,000)	$ 0.36	$ (0.36)
Exercised	(1,250,000)	$ 0.15 to $ 0.20	$ (0.16)
Outstanding, July 31, 2006	2,140,000	$ 0.25 to $ 0.395	$ 0.36
Granted	760,000	$ 0.36	$ 0.36
Expired/forfeited	(200,000)	$ (0.30)	$ (0.30)
Outstanding and exercisable, July 31, 2007	2,700,000	$ 0.25 to $ 0.395	$ 0.36

The weighted average life of outstanding stock options at July 31, 2007 is 3.8 years.

As at July 31, the following options were outstanding:

	Exercise	Number of Shares	
	Price	**2007**	**2006**
March 3, 2010	$ 0.36	100,000	100,000
June 5, 2010	$ 0.40	50,000	50,000
June 27, 2010	$ 0.35	250,000	250,000
November 3, 2010	$ 0.25	20,000	20,000
November 18, 2010	$ 0.31	150,000	150,000
January 13, 2011	$ 0.36	1,020,000	1,020,000
April 20, 2011	$ 0.36	350,000	350,000
June 7, 2011	$ 0.36	0	200,000
April 5, 2012	$ 0.36	760,000	0

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

	2007	**2006**
Expected life (years)	5	2 to 5
Interest rate	4.05%	3.9% to 4.3%
Volatility	87.4%	92.2% to 92.5%
Dividend yield	0.00%	0.00%

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

The fair value of options vesting during the year ended July 31, 2007, as charged to professional and management fees, was $179,588 (2006 - $338,900).

(d) Share purchase warrants

As at July 31, the following warrants were outstanding;

Expiry Date	Price	**2007**	**2006**
August 10, 2006	$ 0.30	0	3,000,000
September 22, 2006	$ 0.40	0	152,100
September 22, 2007	$ 0.50	963,000	963,000
December 29, 2008	$ 0.50	2,101,606	0
February 28, 2008/2009	$ 0.55/$ 0.75	1,166,666	0
July 5, 2009	$ 0.50	3,363,016	0
		7,594,288	4,115,100

As described in note 7(b) certain of the outstanding warrants have accelerated expiry provisions.

Subsequent to July 31, 2007, 963,000 warrants, exercisable at $0.50, expired unexercised.

(e) Contributed surplus

Contributed surplus increased in connection with the recognition of compensation cost relating to stock options. Contributed surplus is decreased when those stock options are exercised:

	2007	**2006**
Contributed surplus, beginning of year	$ 530,650	$ 215,750
Stock-based compensation expense for year	179,588	338,900
Reallocated on exercise of options	0	(24,000)
Contributed surplus, end of year	$ 710,238	$ 530,650

8. INCOME TAX LOSSES

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

	2007	**2006**
Income tax benefit computed at Canadian statutory rates	$ (1,018,289)	$ (258,670)
Permanent differences	144,242	148,834
Write-down / write-off of properties	966,202	17,668
Other	(88,081)	(17,027)
Unrecognized tax losses	(4,074)	109,195
	$ 0	$ 0

(Expressed in Canadian Dollars)

8. INCOME TAX LOSSES (Continued)

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

	2007	2006
Future income tax assets at approximate tax rates		
Canadian non-capital losses at 34%	$ 647,500	$ 620,400
US losses at 35%	1,291,640	1,321,893
Australian losses at 30%	1,322,623	566,280
Canadian resource pool deductions at 34%	2,737,000	2,550,000
	5,998,763	5,058,573
Valuation allowance	(5,998,763)	(5,058,573)
	$ 0	$ 0

The Company's losses for Canadian tax purposes are $1,897,811 (2006 - $1,818,169), which may be carried forward to apply against future income for Canadian tax purposes. Expiry begins in 2008.

The Company's losses for US tax purposes are US $3,461,914 (2006 - US $3,543,000), which may be carried forward to apply against future income for US tax purposes, expiring between 2007 and 2016.

The Company's losses for Australian tax purposes are Au $4,855,443 (2006 - Au $2,078,857), which may be carried forward to apply against future income for Australian tax purposes.

The Company also has resource tax pool deductions of $8,050,000 (2006 - $7,500,000), 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.

9. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Company:

(a) paid office rent and administrative fees of $32,000 (2006 - $30,000) to a company with a common officer.

(b) paid consulting and management fees of $143,506 (2006 - $257,121) to officers and directors.

(c) included in prepaid expenses $0 (2006 - $4,604) in advances to an officer.

(d) included in accounts payable and accrued liabilities $5,691 (2006 - $4,542) payable to a director.

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.