

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Financial Statements
July 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SOLOMON RESOURCES LIMITED

We have audited the accompanying consolidated financial statements of Solomon Resources Limited, which comprise the consolidated statements of financial position as at July 31, 2013 and 2012, and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Solomon Resources Limited as at July 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
November 26, 2013

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at July 31	2013	2012
Assets		
Current		
Cash	\$ 37,403	\$ 281,261
Receivables	1,288	18,966
Prepaid expenses (note 12)	0	30,737
Reclamation deposits (note 8)	0	10,000
	38,691	340,964
Deposits	0	47,980
Equipment (note 7)	0	5,771
Mineral Property Interests (note 9)	1	30,374
	\$ 38,692	\$ 425,089
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 277,219	\$ 68,702
Due to related parties (note 12)	130,682	306,129
	407,901	374,831
Shareholders' Equity (Deficiency)		
Share capital (note 10)	30,281,800	29,472,747
Subscriptions received	0	300,000
Reserves	1,327,794	1,284,284
Deficit	(31,978,803)	(31,006,773)
	(369,209)	50,258
	\$ 38,692	\$ 425,089

Approved on behalf of the Board:

"David Stone" (signed)

..... Director
David Stone

"W. Steve Vaughn" (signed)

..... Director
W. Steve Vaughn

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Statements of Comprehensive Loss
Expressed in Canadian Dollars

Years ended July 31	2013	2012
Expenses		
Professional fees	\$ 156,207	\$ 53,079
Management fees (note 12)	108,471	165,073
Office and miscellaneous	104,525	44,144
Travel, promotion and shareholder costs	39,164	44,276
Share-based payments (note 10)	34,540	45,543
Rent	33,509	36,447
Transfer agent fees	10,313	9,505
Stock exchange fees	8,822	10,856
Mineral property maintenance	2,805	21,254
Amortization	0	43,153
Mineral property investigation	0	27,486
Write-down of equipment (note 7)	0	8,468
Flow-through share financing costs	0	102
Impairment of mineral property interests (note 9)	623,312	2,127,111
Gain on disposal of mineral property interests (note 9)	(79,996)	0
Gain on settlement of liabilities (notes 10 and 12)	(35,000)	0
(Gain) loss on disposal of equipment (note 7)	(14,322)	10,641
Recovery of mineral property interests	(10,310)	(57,868)
Oil and gas royalty	(10,010)	(11,701)
Loss Before Income Tax	(972,030)	(2,577,569)
Deferred Income Tax Recovery (note 11)	0	8,000
Net Loss and Comprehensive Loss for the Year	\$ (972,030)	\$ (2,569,569)
Loss Per Share – Basic and Diluted	\$ (0.02)	\$ (0.10)
Weighted Average Number of Common Shares Outstanding	41,180,449	25,990,737

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
Expressed in Canadian Dollars

	Share Capital		Reserves	Subscriptions Received	Deficit	Total Shareholders' Equity (Deficiency)
	Shares	Amount				
Balance, July 31, 2011	24,669,972	\$ 29,348,425	\$ 1,237,575	\$ 0	\$ (28,437,204)	\$ 2,148,796
Net loss for the year	0	0	0	0	(2,569,569)	(2,569,569)
Share issuances						
Private placement	2,000,000	155,000	0	0	0	155,000
Allocation to flow-through share liability	0	(8,000)	0	0	0	(8,000)
Share issue costs	0	(22,678)	1,166	0	0	(21,512)
Share subscriptions received	0	0	0	300,000	0	300,000
Share-based payments	0	0	45,543	0	0	45,543
Balance, July 31, 2012	26,669,972	29,472,747	1,284,284	300,000	(31,006,773)	50,258
Net loss for the year	0	0	0	0	(972,030)	(972,030)
Share issuances						
Private placement	14,644,000	732,200	0	(300,000)	0	432,200
Shares issued for mineral property interests	6,000,000	120,000	0	0	0	120,000
Shares issued for liabilities	1,000,000	15,000	0	0	0	15,000
Share issue costs	0	(58,147)	8,970	0	0	(49,177)
Share-based payments	0	0	34,540	0	0	34,540
Balance, July 31, 2013	48,313,972	\$ 30,281,800	\$ 1,327,794	\$ 0	\$ (31,978,803)	\$ (369,209)

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

Years Ended July 31	2013	2012
Operating Activities		
Net loss for the year	\$ (972,030)	\$ (2,569,569)
Items not involving cash		
Share-based payments	34,540	45,543
Deferred income tax recovery	0	(8,000)
Impairment of mineral property interests	623,312	2,127,111
(Gain) loss on disposal of equipment	(14,322)	10,641
Gain on disposal of mineral property interests	(79,996)	0
Gain on settlement of liabilities	(35,000)	0
Write-down of equipment	0	8,468
Amortization	0	43,153
	(443,496)	(342,653)
Changes in non-cash working capital items		
Receivables	17,678	28,692
Prepaid expenses	30,737	(8,812)
Accounts payable and accrued liabilities	250,978	45,280
Due to related parties	(175,447)	261,676
	123,946	326,836
Cash Used in Operating Activities	(319,550)	(15,817)
Financing Activities		
Proceeds on issue of shares, net	383,023	133,488
Share subscriptions received	0	300,000
Cash Provided by Financing Activities	383,023	433,488
Investing Activities		
Cash expenditures on mineral property interests	(400,047)	(390,464)
Purchase of equipment	(25,264)	(3,836)
Deposits	47,980	(20,390)
Reclamation deposits	10,000	0
Proceeds on disposal of mineral property interests	60,000	0
Proceeds on disposal of equipment	0	13,000
Tenement bond	0	2,101
Cash Used in Investing Activities	(307,331)	(399,589)
Inflow (Outflow) of Cash	(243,858)	18,082
Cash, Beginning of Year	281,261	263,179
Cash, End of Year	\$ 37,403	\$ 281,261

Supplemental disclosure with respect to cash flows (note 14)

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended July 31, 2013 and 2012
Expressed in Canadian Dollars

1. NATURE OF OPERATIONS

Solomon Resources Limited (the “Company” or “Solomon”) was incorporated under the laws of British Columbia. The Company is in the process of exploring and developing its mineral property interests and has not determined whether these properties contain economically recoverable reserves of ore. The Company has not earned any revenues from its mineral property interests and is considered to be in the exploration stage.

The Company maintains its head office and registered office at Suite 704 - 595 Howe Street, Vancouver, British Columbia V6C 2T5.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company has incurred significant operating losses over the past two fiscal years (2013 - \$972,030; 2012 - \$2,569,569), has a deficit of \$31,978,803 as at July 31, 2013 (2012 - \$31,006,773), has limited resources, no sources of operating cash flows and no assurances that sufficient funding will be available to continue operations for an extended period of time.

The application of the going concern concept is dependent upon the Company’s ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management’s plan will be successful.

If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

3. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

These consolidated financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale (“AFS”) and fair value through profit or loss (“FVTPL”). These consolidated financial statements have been prepared under the accrual basis of accounting, except for cash flow information. The significant accounting policies set out in note 4 have been applied consistently to all periods presented. The Company’s functional and reporting currency is the Canadian dollar.

SOLOMON RESOURCES LIMITED
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Notes to Consolidated Financial Statements
Years Ended July 31, 2013 and 2012
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3. BASIS OF PREPARATION (Continued)

- (b) Approval of the consolidated financial statements

The consolidated financial statements of the Company for the year ended July 31, 2013 were approved and authorized for issue by the Board of Directors on November 26, 2013.

- (c) New accounting pronouncements

Applicable to annual periods beginning on or after August 1, 2013

Amendments to IFRS 7 Financial Instruments: Disclosures

Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) amends the disclosure requirements to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 *Financial Instruments: Presentation*.

The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for financial statements and SIC12 *Consolidation - Special Purpose Entities*. IFRS 10 establishes principles for the presentation and preparation of financial statements when an entity controls one or more entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present financial statements; (ii) defines the principle of control and establishes control as a basis for consolidation; (iii) sets out how to apply the principle of control whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of financial statements.

IFRS 10 may be adopted to an earlier accounting period, but in doing so, an entity must disclose the fact that it has early-adopted the standard and apply IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements* (as amended in 2012) and IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2012).

IFRS 11 Joint Arrangements

Replaces IAS 31 *Interests in Joint Ventures*. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

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3. BASIS OF PREPARATION (Continued)

(c) New accounting pronouncements (Continued)

IFRS 11 Joint Arrangements (Continued)

Joint arrangements are either joint operations or joint ventures:

- A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognize their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly)
- A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 *Investments in Associates and Joint Ventures* (2011). Unlike IAS 31, the use of “proportionate consolidation” to account for joint ventures is not permitted.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 combines the disclosure requirements for an entity's interest in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard. This standard requires the disclosure of information that enable users of financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure fair value, but does not change when fair value is required or permitted under IFRS. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions with the scope of IAS 17 *Leases*; measurements that have some similarities to fair value that are not fair value, such as net realizable value in IAS 2 *Inventories*; or value in use IAS 36 *Impairment of Assets*.

IAS 27 Separate Financial Statements

IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

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3. BASIS OF PREPARATION (Continued)

(c) New accounting pronouncements (Continued)

IAS 28 Investments in Associates and Joint Ventures

IAS 28 prescribes the accounting for investments in associates and to set the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Applicable to annual periods beginning on or after August 1, 2014

Amendments to IAS 32 Financial Instruments: Presentation

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) amends to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- The meaning of “currently has a legally enforceable right of set-off”
- The application of simultaneous realization and settlement
- The offsetting of collateral amounts
- The unit of account for applying the offsetting requirements.

Applicable to annual periods beginning on or after August 1, 2015

IFRS 9 Financial Instruments (2009)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in the profit or loss
- The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

This standard is only applicable if it is optionally adopted for annual periods beginning before August 1, 2015. For annual periods beginning on or after August 1, 2015, the Company must adopt IFRS 9 (2011).

IFRS 9 Financial Instruments (2011)

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

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3. BASIS OF PREPARATION (Continued)

(c) New accounting pronouncements (Continued)

IFRS 9 Financial Instruments (2011) (Continued)

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

This standard applies to annual periods beginning on or after August 1, 2015 and supersedes IFRS 9 (2009). However, for annual reporting periods beginning before August 1, 2015, the Company may early-adopt IFRS 9 (2009) instead of applying this standard.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of the Company's wholly-owned subsidiaries, Avasca Inc. (a British Columbia corporation), Valhalla Minerals US Incorporated (a Delaware corporation), Thor Gold Alaska Inc. (an Alaskan corporation) and Solomon (Australia) Pty. Ltd. (an Australian corporation), are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intercompany balances and transactions and any unrealized revenue and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

(b) Mineral property interests

(i) Exploration and evaluation expenditures

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as mineral properties represent costs incurred to date, including acquisition costs and exploration expenditures, net of any recoveries. These amounts represent costs incurred to date and do not necessarily reflect present or future values.

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(An Exploration Stage Company)
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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Mineral property interests (Continued)

(i) Exploration and evaluation expenditures (Continued)

The costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method. If the properties are sold or abandoned, the expenditures will be charged to operations. The Company does not accrue the estimated future costs, such as land taxes, of maintaining its mineral properties in good standing.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of the option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are recorded when paid or received.

(ii) Impairment

Exploration and evaluation assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral properties is dependent on successful development and commercial exploitation or, alternatively, the sale of the respective areas of interest.

(iii) Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Mineral property interests (Continued)

(iii) Decommissioning liabilities (Continued)

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. To date the Company does not have any decommissioning liabilities.

(c) Use of estimates and judgments

Critical accounting estimates, assumptions and judgments made by management that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Impairment of mineral property interests

The Company assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered the higher of fair value less cost to sell and value in use. As the Company terminated the Ten Mile Creek and Rurembo option agreements (note 9), management has written off all capitalized costs and assessed the Company has no ongoing obligations related to those option agreements.

(ii) Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred.

The obligation generally arises when the asset is installed or the ground/environment is disturbed. When the liability is initially recognized, the present value of estimated costs is capitalized by increasing the carrying amount of related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Use of estimates and judgments (Continued)

(ii) Rehabilitation provision (Continued)

For closed sites, changes to estimated costs are recognized immediately in profit or loss.

The Company has determined that no rehabilitation provision is applicable.

(iii) Share-based payments

The Company records all share-based payments using the fair value method. The Company uses the Black-Scholes option pricing model to determine the fair value of the stock options and warrants. The main factors affecting the estimates of the fair value of these equity instruments are the expected life of the equity instruments, risk-free interest rate, the stock price volatility used and the forfeiture rate for stock options. The Company currently estimates the expected volatility by using the average volatility of mature similar listed entities.

(d) Petroleum and natural gas properties

All petroleum and natural 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.

When equipment is retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated amortization are removed from the accounts and any gain or loss is included in operations. The Company compares the carrying value of equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

(f) Foreign currency translation

Amounts recorded in foreign currency are translated to Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the statement of financial position 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 rate of exchange on the transaction date.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Income taxes

Income tax expense, consisting of current and deferred tax expense, is recognized in the statements of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(h) Loss per share

The Company presents basic loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase 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.

(i) Share-based payment transactions

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Share-based payment transactions (Continued)

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in option reserves is transferred to share capital.

(j) Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. A liability is recognized for the premium on the flow-through shares and is subsequently reversed as the Company incurs qualifying Canadian exploration expenses.

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (the "flow-through commitment") as follows:

- Share capital – the market value of the share;
- Warrant reserve – if warrants are being issued, based on the valuation derived using the Black-Scholes option pricing model; and
- Flow-through share premium – recorded as a liability and equal to the residual premium, if any, investors pay for the flow-through feature.

(k) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related residual value is transferred to share capital.

(l) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: FVTPL, held-to-maturity investments, loans and receivables, and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument.

Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future, it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

Held-to maturity investments

Held-to-maturity financial assets are non-derivative financial assets measured at amortized cost that management has the intention and ability to hold to maturity.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

Available-for-sale financial assets

AFS financial assets are non-derivative financial assets that are either designated as AFS or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments (Continued)

(i) Financial assets (Continued)

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period-end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments (Continued)

(ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: as FVTPL or other financial liabilities.

Fair value through profit or loss

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest rate method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for assets or liabilities that are not based on observable market data.

5. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as FVTPL, receivables (excluding HST) are classified as loans and receivables, accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities. The carrying values of receivables, accounts payable and accrued liabilities, and amounts due to related parties approximate their fair values due to their short term to maturity.

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5. FINANCIAL INSTRUMENTS (Continued)

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is held in Canadian financial institutions with strong credit ratings. The Company does not have any asset-backed commercial paper. The Company has minimal credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At July 31, 2013, the Company has cash of \$37,403 (2012 - \$281,261), which is not sufficient to meet its short-term business requirements for the ensuing year. At July 31, 2013, the Company has accounts payable and accrued liabilities of \$277,219 (2012 - \$68,702) and amounts due to related parties of \$130,682 (2012 - \$306,129). Accounts payable and accrued liabilities have maturities of 30 days or less. Amounts due to related parties have no specified terms of repayment. Subsequent to year-end, the Company entered into shares-for-debt agreements to settle liabilities of \$281,051 (note 16).

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

(i) 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 Australian dollars ("AU\$")). As at July 31, 2013, the Company has net assets of \$nil (2012 - \$4,009) denominated in AU\$. The Company does not consider currency risk to be significant and does not manage currency risk through hedging or other currency management tools. The Company's cash balances are held in banks in the following countries:

	2013	2012
Canada	\$ 37,403	\$ 277,252
Australia	0	4,009
	\$ 37,403	\$ 281,261

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5. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial 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 due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

6. CAPITAL MANAGEMENT

The Company considers its capital to be comprised 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, it is uncertain whether it will continue this method of financing 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 objectives are met. The Company's capital is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the year ended July 31, 2013.

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7. EQUIPMENT

	Office Equipment	Exploration Equipment	Vehicles	Total
Cost				
Balance, July 31, 2011	\$ 88,048	\$ 62,246	\$ 15,514	\$ 165,808
Additions	2,916	920	0	3,836
Disposals	0	(35,459)	(15,514)	(50,973)
Write-down	0	(27,707)	0	(27,707)
Balance, July 31, 2012	90,964	0	0	90,964
Additions	0	2,111	23,153	25,264
Disposals	(90,964)	(2,111)	(23,153)	(116,228)
Balance, July 31, 2013	\$ 0	\$ 0	\$ 0	\$ 0
Accumulated Amortization				
Balance, July 31, 2011	\$ 54,875	\$ 12,959	\$ 15,514	\$ 83,348
Amortization	30,318	18,098	0	48,416
Disposals	0	(11,818)	(15,514)	(27,332)
Write-down	0	(19,239)	0	(19,239)
Balance, July 31, 2012	85,193	0	0	85,193
Amortization	0	528	5,788	6,316
Disposals	(85,193)	(528)	(5,788)	(91,509)
Balance, July 31, 2013	\$ 0	\$ 0	\$ 0	\$ 0
Carrying Value				
July 31, 2012	\$ 5,771	\$ 0	\$ 0	\$ 5,771
July 31, 2013	\$ 0	\$ 0	\$ 0	\$ 0

During the year ended July 31, 2013, the Company capitalized \$6,316 (2012 - \$5,263) of the amortization of exploration equipment to mineral property interests. During the year ended July 31, 2013, the Company settled payables in the amount of \$39,042 through the disposal of exploration equipment and vehicles with a book value of \$24,710, which resulted in a gain of \$14,322. Based on the Company's future usage plans for the remaining exploration equipment, the Company recorded a write-down of \$nil (2012 - \$8,468).

During the year ended July 31, 2012, the Company disposed of equipment for proceeds of \$13,000, which resulted in a loss of \$10,641.

8. RECLAMATION DEPOSITS

The Company placed a \$10,000 site reclamation deposit with the Province of British Columbia for exploration permits on the Cry Lake Property. The site has been dismantled and the deposit was returned to the Company during the year ended July 31, 2013.

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9. MINERAL PROPERTY INTERESTS

	Mongolia SRM	Ten Mile Creek	Rurembo (Rwanda)	Southwest Yukon	Other Properties	Total
Balance, July 31, 2011	\$ 1,000	\$ 1,570,600	\$ 0	\$ 303,896	\$ 2	\$ 1,875,498
Expenditures during the year						
Personnel	0	53,244	3,139	44,911	0	101,294
Camp costs, travel and helicopter costs	0	66,892	18,849	24,803	0	110,544
Proceeds received from rental of camp	0	(18,000)	0	0	0	(18,000)
Mapping	0	27,218	0	6,413	0	33,631
Sampling	0	42,532	0	10,502	0	53,034
Options payments/land renewal payments	0	419	0	1,065	0	1,484
Impairment	(1,000)	(1,734,524)	0	(391,587)	0	(2,127,111)
Balance, July 31, 2012	0	8,381	21,988	3	2	30,374
Expenditures during the year						
Personnel	0	0	290,394	0	0	290,394
Travel and accommodation	0	0	92,068	0	0	92,068
Field costs	0	0	42,138	0	0	42,138
Administration	0	0	48,343	0	0	48,343
Shares issued for mineral property interest	0	0	120,000	0	0	120,000
Disposals	0	0		(3)	(1)	(4)
Impairment	0	(8,381)	(614,931)	0	0	(623,312)
Balance, July 31, 2013	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1	\$ 1

(a) Ten Mile Creek, Yukon Territory

In September 2009, the Company entered into an agreement with Radius Gold Inc. ("Radius") of Vancouver, British Columbia, to acquire a 51% interest in the Ten Mile Creek property in the Dawson Mining District, Yukon Territory.

During the year ended July 31, 2013, the Company spent \$nil (2012 - \$163,324) on the property. The Company allowed the option to expire without making the required cash and share payments due on May 21, 2012. During the year ended July 31, 2013, the Company recovered \$10,310 (2012 - \$nil) in data payments and deposits returned. During the year ended July 31, 2013, the Company recorded an impairment of \$8,381 (2012 - \$1,734,524) on the property.

During the year ended July 31, 2013, the Company incurred \$nil (2012 - \$26,381) in camp costs to upgrade the campsite for rental to another party working in the same vicinity and received \$nil (2012 - \$18,000) in rental payments.

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9. MINERAL PROPERTY INTERESTS (Continued)

(b) Rurembo, Republic of Rwanda

In July 2012, the Company signed a letter of intent (“LOI”) with a group of private Canadian investors to acquire a 100% interest in the Rurembo Prospecting License in the Republic of Rwanda. An agreement was signed in October 2012 that confirmed and formalized the LOI.

Pursuant to the agreement, 6,000,000 shares of the Company would be issued to the optionors within ten business days after the agreement was approved by the TSX Venture Exchange (“TSX-V”). A further 6,000,000 shares of the Company would be issued to the optionors within ten business days after the prospecting license was upgraded to an exploration permit prior to the expiration of the prospecting license on February 22, 2014.

Additionally, the agreement requires that the Company pay the optionors \$100,443 within ten business days of approval of the agreement by the TSX-V, and a further \$100,443 if the prospecting license is upgraded to an exploration permit prior to the expiration of the prospecting license on February 22, 2014. The debt can be settled in full, at the discretion of the optionors, by issuing the optionors shares of the Company at an agreed value of \$0.05 per share.

The Company must also incur exploration expenditures of \$500,000 by February 28, 2013 and a further \$500,000 by February 21, 2014.

During the year ended July 31, 2013, the Company capitalized \$472,943 (2012 - \$21,988) in option, personnel, field, transportation and administrative costs on the property. In May 2013, following the Company's inability to meet certain terms of the agreement, the property was returned to the optionors and the Company recognized an impairment of \$614,931 (2012 - \$nil).

Included in deposits is \$nil (2012 - \$43,650) in prepaid advances that were to be applied to future exploration on this property. During the year ended July 31, 2013, the deposits were repaid to the Company.

(c) Southwest Yukon

During the year ended July 31, 2011, the Company began actively acquiring exploration targets in the Kluane Front Ranges and Ruby Range of southwest Yukon.

During the year ended July 31, 2013, the Company spent \$nil (2012 - \$87,694) on the properties, in personnel and field exploration costs. At July 31, 2012, the Company abandoned future exploration on these properties and recorded an impairment of \$391,587 and carried the properties at a nominal value of \$3. During the year ended July 31, 2013, the Company settled payables in the amount of \$20,000 by transferring ownership of the properties to a related party and recorded a gain on disposal of mineral properties in the amount of \$19,997 (2012 - \$nil).

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9. MINERAL PROPERTY INTERESTS (Continued)

(d) Other properties

(i) Sleitat Mountain, Alaska

During the year ended July 31, 2013, the Company sold its 20% interest in the Sleitat Mountain tin-tungsten-silver deposit near Dillingham, southwest Alaska, for proceeds of \$60,000 and recorded a gain on disposal of mineral properties in the amount of \$59,999 (2012 - \$nil).

(ii) Quirk Creek, Alberta

The Company holds a petroleum and gas interest in the Quirk Creek region of Alberta from which it received a royalty during the year ended July 31, 2013 of \$10,010 (2012 - \$11,701). Subsequent to July 31, 2013, the Company sold its interest for \$56,250 (note 16).

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. As at July 31, 2013, the Company has no material decommissioning obligations.

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.

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10. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued

During the year ended July 31, 2013, the following private placements occurred:

- (i) In September and October 2012, the Company issued 6,564,000 units and 8,080,000 units, respectively, at \$0.05 per unit for gross proceeds of \$732,200 including \$300,000 received prior to July 31, 2012. Each unit consisted of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of the Company on or before September 24, 2014 (for 6,564,000 shares) and on or before October 31, 2014 (for 8,080,000 shares) at an exercise price of \$0.10. Finder's fees, legal expenses and filing expenses of \$49,177 were paid in cash, and the Company issued 509,600 finder's warrants exercisable at \$0.10 per unit until October 31, 2014. The fair value of these warrants was \$8,970.

During the year ended July 31, 2013, the Company issued additional common shares as follows:

- (ii) In March 2013, the Company issued 6,000,000 common shares with a fair value of \$0.02 per share to the optionors of the Rurembo Prospecting License in the Republic of Rwanda.
- (iii) In May 2013, the Company issued 1,000,000 common shares with a fair value of \$0.015 per share as part of a debt settlement agreement with its then Chief Executive Officer. The amount of the debt settled was \$50,000 resulting in a gain on settlement of liabilities of \$35,000.

During the year ended July 31, 2012, the following private placements occurred:

- (iv) In November 2011, the Company issued 1,800,000 units at \$0.075 per unit for gross proceeds of \$135,000. Each unit consisted of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of the Company on or before November 30, 2013 at an exercise price of \$0.10. The Company issued 44,000 finder's warrants exercisable at \$0.10 per unit until November 30, 2013. The fair value of these warrants was \$1,008.
- (v) In December 2011, the Company issued 200,000 flow-through units at \$0.10 per unit for gross proceeds of \$20,000. Each unit consisted of one flow-through common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of the Company on or before December 21, 2012 at an exercise price of \$0.15. The Company issued 16,000 finder's warrants exercisable at \$0.10 per unit until December 21, 2012. The fair value of these warrants was \$158. For this private placement, the Company allocated \$12,000 to share capital and \$8,000 to the flow-through premium liability.

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10. SHARE CAPITAL (Continued)

(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 twelve 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 twelve months with no more than one-quarter of the options vesting in any three-month period.

Stock option activity is as follows:

	Number of Options Outstanding	Exercise Price	Weighted Average Exercise Price
Balance, July 31, 2011	1,924,000	\$ 0.165 to \$ 3.60	\$ 0.43
Granted	705,000	\$ 0.10	\$ 0.10
Cancelled	(337,000)	\$ 0.165 to \$ 3.60	\$ 0.62
Expired	(32,000)	\$ 3.60	\$ 3.60
Balance, July 31, 2012	2,260,000	\$ 0.10 to \$ 3.60	\$ 0.25
Granted	1,300,000	\$ 0.10	\$ 0.10
Expired	(20,000)	\$ 3.60	\$ 3.60
Balance, July 31, 2013	3,540,000	\$ 0.10 to \$ 2.50	\$ 0.18

The weighted average life of outstanding stock options at July 31, 2013 is 3.12 (2012 - 3.42) years. The weighted average grant date fair value of the options granted during the year ended July 31, 2013 was \$0.031 (2012 - \$0.065).

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10. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

As at July 31, 2013 and 2012, the following options were outstanding:

Expiry Date	Exercise Price	2013		2012	
		Number of Options Outstanding	Number of Options Exercisable	Number of Options Outstanding	Number of Options Exercisable
January 9, 2013	\$ 3.60	0	0	20,000	20,000
October 1, 2013	\$ 2.50	55,000	55,000	55,000	55,000
December 1, 2014	\$ 0.265	520,000	520,000	520,000	520,000
December 17, 2015	\$ 0.165	760,000	760,000	760,000	760,000
July 1, 2016	\$ 0.165	200,000	200,000	200,000	200,000
December 16, 2016	\$ 0.10	705,000	705,000	705,000	705,000
May 3, 2017	\$ 0.10	200,000	200,000	0	0
December 13, 2017	\$ 0.10	1,100,000	1,100,000	0	0
		3,540,000	3,540,000	2,260,000	2,260,000

(d) Share-based payments

The fair value of each option granted is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2013	2012
Expected life (years)	5	5
Interest rate	1.37%	1.25%
Volatility	165%	164%
Dividend yield	0.00%	0.00%

The fair value of options granted and vested during the year ended July 31, 2013 was \$34,540 (2012 - \$45,543). The expected volatility is based on the historical stock price of the Company for the period leading up to the grant date.

Share-based payments are related to expenses as follows:

	2013	2012
Management fees	\$ 34,540	\$ 41,021
Property investigation	0	4,522
	\$ 34,540	\$ 45,543

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10. SHARE CAPITAL (Continued)

(e) Share purchase warrants

Share purchase warrants activity is as follows:

	Number of Warrants Outstanding	Exercise Price	Weighted Average Exercise Price
Balance, July 31, 2011	14,772,946	\$ 0.15 to \$ 0.40	\$ 0.29
Issued	2,060,000	\$ 0.10 to \$ 0.15	\$ 0.10
Expired	(13,854,212)	\$ 0.15 to \$ 0.40	\$ 0.31
Balance, July 31, 2012	2,978,734	\$ 0.10 to \$ 0.30	\$ 0.17
Issued	15,153,600	\$ 0.10	\$ 0.10
Expired	(1,134,734)	\$ 0.10 to \$ 0.30	\$ 0.27
Balance, July 31, 2013	16,997,600	\$ 0.10	\$ 0.10

As at July 31, 2013 and 2012, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	
		2013	2012
December 21, 2012	\$ 0.10 to \$ 0.15	0	216,000
June 23, 2013	\$ 0.30	0	918,734
November 30, 2013	\$ 0.10	1,844,000	1,844,000
September 24, 2014	\$ 0.10	6,564,000	0
October 31, 2014	\$ 0.10	8,589,600	0
		16,997,600	2,978,734

The fair value of the finders' warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2013	2012
Expected life (years)	2	2
Interest rate	1.00%	0.99%
Volatility	99%	86%
Dividend yield	0.00%	0.00%

During the year ended July 31, 2013, nil (2012 - nil) finders' warrants were exercised.

(f) Agent options

Agent options are the right to purchase units, with each unit being comprised of one share and one share purchase warrant.

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10. SHARE CAPITAL (Continued)

(f) Agent options (Continued)

As at July 30, 2013 and 2012, the following agent options were outstanding:

	2013		2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	0	\$ 0.00	729,688	\$ 0.28
Expired	0	\$ 0.00	(729,688)	\$ 0.28
Balance, end of year	0	\$ 0.00	0	\$ 0.00

11. INCOME TAXES

As at July 31, 2013, the Company has accumulated non-capital losses in Canada for tax purposes of approximately \$4,382,000 that may be carried forward to apply against future years' income for income tax purposes. The losses expire as follows:

2015	\$ 293,000
2026	559,000
2027	380,000
2028	5,000
2029	832,000
2030	492,000
2031	641,000
2032	564,000
2033	616,000
	\$ 4,382,000

In addition to the above losses, the Company has approximately \$3,565,000 in non-capital losses in the United States expiring in 2015.

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11. INCOME TAXES (Continued)

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of July 31 are as follows:

	2013	2012
Non-capital losses carried forward		
Canada	\$ 4,380,708	\$ 3,683,951
United States	3,564,680	3,630,867
Australia	0	175,225
Excess of tax value over carrying value of mineral properties	3,451,319	2,941,468
Excess of undepreciated capital cost over carrying value of equipment	0	150,875
Investment tax credits	640,338	657,582
Net capital losses carried forward		
Australia	0	272,609
Share issue costs and other	261,335	291,048
Unrecognized deductible temporary differences	\$ 12,298,380	\$ 11,803,625

The Company de-registered its Australian subsidiary during the year ended July 31, 2013.

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 25.33% (2012 - 25.63%) to income before income taxes.

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2013	2012
Loss before income tax	\$ (972,030)	\$ (2,577,569)
Statutory income tax rate	25.33%	25.63%
Income tax recovery computed at statutory tax rate	(246,247)	(660,632)
Items not deductible for income tax purposes	8,827	11,740
Change in timing differences	112,427	(19,531)
Effect of change in tax rate	(86,804)	3,017
Impact of foreign exchange on tax assets	16,546	(51,961)
Unrecognized benefit of deferred income tax assets	195,251	709,367
Deferred income tax recovery	\$ 0	\$ (8,000)

During the year ended July 31, 2013, the Company renounced \$nil (2012 - \$20,000) in expenditures for the flow-through units issued. The Company recorded a \$nil (2012 - \$8,000) deferred income tax recovery to recognize the premium received on the issue of flow-through shares.

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12. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended July 31, 2013, the Company:

- (a) Paid \$21,435 (2012 - \$32,670) to a relative of a director, which is included in management fees;
- (b) Settled an amount of \$93,501 (2012 - \$nil) owing to directors as follows:
 - (i) For an amount owing of \$50,000, issued 1,000,000 shares with a total fair value of \$15,000 for a gain on settlement of \$35,000;
 - (ii) For an amount owing of \$20,000, transferred mineral property claims with a book value of \$3 for a gain on disposal of \$19,997; and
 - (iii) For an amount owing of \$23,501, transferred exploration equipment with a book value of \$nil for a gain on disposal of \$23,501;
- (c) Settled an amount of \$5,541 (2012 - \$nil) owing to a relative of a director by the transfer of office equipment with a book value of \$5,771 for a loss on disposal of \$230;
- (d) Included in prepaid expenses is \$nil (2012 - \$5,000) in advances to a director; and
- (e) The due to related parties balance of \$130,682 (2012 - \$306,129) consists of amounts payable to directors and a relative of a director.

There are no terms of repayment or interest for amounts payable to directors and a relative of a director.

Key management personnel compensation is as follows:

	2013	2012
Short-term benefits	\$ 183,283	\$ 177,433
Share-based payments	28,260	38,760
Total key management personnel compensation	\$ 211,543	\$ 216,193

For the year ended July 31, 2013, \$96,246 (2012 - \$45,030) of management fees have been capitalized to mineral property interests. There were no post-employment benefits, termination benefits or other long-term benefits paid to key management personnel for the years ended July 31, 2013 and 2012.

13. COMMITMENT

The Company terminated its lease on an office during the year ended July 31, 2013 resulting in a penalty of \$48,000 for early termination. Subsequent to year-end, a part of this penalty was settled in cash and the balance was settled through the issuance of shares (note 16).

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14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2013	2012
Shares issued for mineral property interest	\$ 120,000	\$ 0
Accounts payable and accrued liabilities settled by issuance of shares	\$ 50,000	\$ 0
Amortization of equipment included in mineral property interests	\$ 6,316	\$ 5,263
Mineral property interest expenditures included in accounts payable	\$ 91,163	\$ 24,583

15. SEGMENT DISCLOSURE

The Company's one reportable operating segment is the exploration of mineral properties. The geographical segmentation of the Company's non-current assets is as follows:

	Canada	Rwanda	United States	Total
As at July 31, 2013				
Mineral property interests	\$ 1	\$ 0	\$ 0	\$ 1
Total non-current assets	\$ 1	\$ 0	\$ 0	\$ 1
As at July 31, 2012				
Deposits	\$ 47,980	\$ 0	\$ 0	\$ 47,980
Equipment	5,771	0	0	5,771
Mineral property interests	8,385	21,988	1	30,374
Total non-current assets	\$ 62,136	\$ 21,988	\$ 1	\$ 84,125

16. EVENTS AFTER THE REPORTING DATE

Subsequent to July 31, 2013:

- (a) The Company settled indebtedness of \$281,051 (2012 - \$nil) by the issuance of 5,621,020 shares. Included in this amount is \$123,457 payable to current and former directors, officers and employees. The shares are subject to a four month restriction on transfer expiring February 8, 2014;
- (b) The Company sold its oil and gas royalty interest in the Quirk Creek property for gross proceeds of \$56,250. The proceeds were used to settle the Company's indebtedness; and
- (c) 55,000 options with an exercise price of \$2.50 expired unexercised.