

SOLOMON RESOURCES LIMITED

**Consolidated Financial Statements
July 31, 2001 and 2000**

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF SOLOMON RESOURCES LIMITED

We have audited the consolidated balance sheets of Solomon Resources Limited as at July 31, 2001 and 2000 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, 2001 and 2000 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"

Chartered Accountants

Vancouver, British Columbia
November 12, 2001

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SOLOMON RESOURCES LIMITED
Consolidated Balance Sheets
July 31

	2001	2000
Assets		
Cash and term deposits	\$357,423	\$2,403,432
Accounts receivable	16,595	13,131
Prepays	6,000	9,000
Property and Equipment	2	2
Investments (note 4)	346,428	657,016
Investment in and Expenditures on Resources Properties (note 5)	2,725,243	4,731,651
	\$3,451,691	\$7,814,232
Liabilities		
Current		
Accounts payable and accrued liabilities	\$33,117	\$80,300
Shareholders' Equity		
Capital Stock (note 6)	19,734,494	19,614,494
Deficit	(16,315,920)	(11,880,562)
	3,418,574	7,733,932
	\$3,451,691	\$7,814,232

Approved on behalf of the Board:

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

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

SOLOMON RESOURCES LIMITED
Consolidated Statements of Operations and Deficit
Years Ended July 31

	2001	2000
Revenues		
Interest	\$65,605	\$66,626
Oil and gas, net	25,158	12,063
	90,763	78,689
Expenses		
Professional fees	101,580	120,617
Management fees	72,000	44,000
Travel, promotion and shareholders' information	59,441	38,676
Rent and administrative services	24,000	28,000
Office and miscellaneous	24,300	76,747
Transfer agent fees	4,928	5,138
Stock exchange fees	4,815	7,175
	291,064	320,353
Loss from Operations	(200,301)	(241,664)
Other Items		
Other income	22,789	0
Gain on sale of investments	11,227	0
Foreign exchange loss	(64,199)	(31,987)
Write-down of investments	(300,488)	(1,022,582)
Tenement rehabilitation costs	(856,980)	0
Write-off of investment in and expenditures on resource properties	(3,047,406)	(59,869)
	(4,235,057)	(1,114,438)
Net Loss for Year	(4,435,358)	(1,356,102)
Deficit, Beginning of Year	(11,880,562)	(10,524,460)
Deficit, End of Year	\$(16,315,920)	\$(11,880,562)
Loss Per Share	\$ (0.16)	\$ (0.05)
Weighted Average Number of Shares Outstanding	28,596,609	27,684,280

SOLOMON RESOURCES LIMITED
Consolidated Statements of Cash Flows
Years Ended July 31

	2001	2000
Operating Activities		
Net loss	\$(4,435,358)	\$(1,356,102)
Items not involving cash		
Services for settlement of note receivable	0	3,775
Gain on sale of investments	(11,227)	0
Write-down of investments	300,488	1,022,582
Write-off of investment in and expenditures on resource properties	3,047,406	59,869
Operating Cash Flow	(1,098,691)	(269,876)
Changes in Non-Cash Working Capital		
Accounts receivable	(3,464)	20,594
Prepaid expenses	3,000	(1,500)
Accounts payable and accrued liabilities	(47,183)	26,024
	(47,647)	45,118
Cash Used in Operating Activities	(1,146,338)	(224,758)
Investing Activities		
Expenditures on resource properties, net	(920,998)	(1,490,552)
Proceeds on sale of investments	21,327	0
Cash Used in Investing Activities	(899,671)	(1,490,552)
Outflow of Cash and Term Deposits	(2,046,009)	(1,715,310)
Cash and Term Deposits, Beginning of Year	2,403,432	4,118,742
Cash and Term Deposits, End of Year	\$357,423	\$2,403,432
Supplemental Information		
Income tax paid	\$0	\$0
Interest paid	\$0	\$0

SOLOMON RESOURCES LIMITED
Notes to Consolidated Financial Statements
Years Ended July 31, 2001 and 2000

1. NATURE OF OPERATIONS

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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These consolidated financial statements include the accounts of Solomon Resources Limited and its wholly-owned subsidiaries, Valhalla Minerals U.S. Incorporated (a Delaware corporation), Thor Gold Alaska Inc. (an Alaskan corporation) and Solomon (Australia) Pty. Ltd. ("Australia Pty") (an Australian corporation). All significant inter-company balances and transactions are eliminated.

(b) 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, their carrying values are written-down to quoted market value.

(c) 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.

(d) Oil and gas properties

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

(e) Income taxes

Income taxes are calculated using the asset and liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. A valuation allowance is provided to reduce the asset to the net amount management estimates to be reasonable to carry as a future income tax asset.

SOLOMON RESOURCES LIMITED
Notes to Consolidated Financial Statements
Years Ended July 31, 2001 and 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Foreign currency translation

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

- (i) Monetary assets and liabilities at the rate of exchange in effect as at the balance sheet date;
- (ii) Fixed assets at the historical exchange rates; and,
- (iii) Revenues and expenses at the average rate of exchange for the year.

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

(g) Loss per share

Loss per share computations are based on the weighted average number of common shares outstanding during the year. Diluted loss per share compilations have not been presented as the effects would be anti-dilutive.

(h) Flow-through common shares

The Company finances a portion of its 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.

(i) 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

(j) Financial instruments

The Company's financial instruments include cash and term deposits, accounts receivable, investments and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company is exposed to currency risk to the extent that the Company's subsidiary's operations are denominated in a foreign currency. In the opinion of management, the carrying amount of these financial instruments approximate their fair market values except that the Company's investments are accounted for as described in note 2(b). The fair market value of these investments are disclosed in note 4.

SOLOMON RESOURCES LIMITED
Notes to Consolidated Financial Statements
Years Ended July 31, 2001 and 2000

3. PROMISSORY NOTE RECEIVABLE

During the year ended July 31, 2000, the Company received services for settlement of the remaining balance of the promissory note receivable.

4. INVESTMENTS

	2001		2000	
	Number of Shares	Amount	Number of Shares	Amount
Viceroy Resource Corporation (market value \$156,555; 2000 - \$407,403)	1,043,700	\$156,555	1,043,700	\$407,043
Oliver Gold Corporation (market value - \$187,500; 2000 - \$237,500)	1,250,000	51,306	1,250,000	51,306
Orezone Resources Ltd. (market value \$75,000; 2000 - \$125,000)	625,000	75,000	625,000	125,000
Skeena Resources Ltd. ("Skeena") (market value \$112,800; 2000 - \$58,993)	626,667	63,567	736,667	73,667
	24,188,667	\$346,428	24,298,667	\$657,016

During the year ended July 31, 1999, the Company acquired 625,000 units of Orezone. Each unit was comprised of one common share and one share purchase warrant, each warrant exercisable into one common share for \$0.70 each (the warrants expired unexercised on June 16, 2000).

During the year ended July 31, 1999, the Company acquired 666,667 units of Skeena. Each unit was comprised of one common share and one share purchase warrant, each warrant exercisable into one common share for \$0.20 each (the warrants expired unexercised on December 1, 1999).

During the year ended July 31, 2000, the Company acquired 70,000 shares of Skeena in settlement of \$7,000 of interest receivable related to a convertible loan which was converted to the above noted units of Skeena in 1999.

SOLOMON RESOURCES LIMITED
Notes to Consolidated Financial Statements
Years Ended July 31, 2001 and 2000

5. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES

	Burkina Faso	Independence	Mount Monger	Other	Total
Balance, July 31, 1999	\$3,300,967	\$1	\$0	\$0	\$3,300,968
Expenditures during year					
Field costs and personnel	0	23,064	1,693,508	36,805	1,753,377
Option Payment (receipt)	(360,000)	0	97,175	0	(262,825)
	2,940,967	23,065	1,790,683	36,805	4,791,520
Write-off of expenditures	0	(23,064)	0	(36,805)	(59,869)
Balance, July 31, 2000	2,940,967	1	1,790,683	0	4,731,651
Expenditures during year					
Field costs And personnel	45,990	52,325	335,038	8,125	441,478
Property acquisition	0	0	761,520	0	761,520
Receipt of option Payment	0	0	(162,000)	0	(162,000)
	2,986,957	52,326	2,725,241	8,125	5,772,649
Write-off of expenditures	(2,986,956)	(52,325)	0	(8,125)	(3,047,406)
Balance, July 31, 2001	\$1	\$1	\$2,725,241	\$0	\$2,725,243

SOLOMON RESOURCES LIMITED
Notes to Consolidated Financial Statements
Years Ended July 31, 2001 and 2000

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

(a) Burkina Faso - West Africa

During the year ended July 31, 2000, the Company entered into an agreement with Placer Dome Exploration (Africa Eurasia) Limited ("Placer Dome") granting Placer Dome the right to acquire all of the Company's 45% interest in the Burkina Faso property for a total of US \$2,750,000 payable as follows:

- (i) US \$250,000 on or before the agreement date (committed and done);
- (ii) US \$250,000 on or before the 1st anniversary date (optional);
- (iii) US \$250,000 on or before the 2nd anniversary date (optional); and
- (iv) US \$2,000,000 on or before the 3rd anniversary date (optional).

During the year ended July 31, 2001, Placer Dome terminated its agreement with the Company and the Company retained its 45% interest in the Burkina Faso property. The Company decided not to participate in expenditures on this property further and accordingly wrote down the property's carrying value to \$1.

(b) Independence Mine - Alaska

On November 14, 1991, Thor Gold Alaska Inc. ("Thor Gold") entered into a Joint Venture Agreement with Alaska Hardrock Inc. ("AHI") for the purposes of mining the Independence workings.

In April 1992, the Joint Venture commenced mining operations at Independence. Work ceased at Independence in October, 1992 as operations were not economical at the time, and accordingly, the carrying value was written down to \$12,000.

By Agreement dated January 12, 1996, the Joint Venture between Thor Gold and AHI was terminated. Thor Gold received the Enserch mill and a 15 year lease on the Lucky Shot and Coleman Properties received by AHI pursuant to the distribution of the Joint Venture's assets. Thor Gold is to pay AHI for the lease an amount equal to 5% of the net profits from the mining claims. Further, Thor Gold agreed to expend a minimum of U.S. \$50,000 per year on the operation and exploration of the mining interest in the Lucky Shot Area, commencing January 1, 1996.

In addition, as part of the termination and settlement agreement, Thor Gold loaned Scott Eubanks, the beneficial owner of 100 AHI shares, U.S. \$40,000 by way of a promissory note (note 3) to purchase an additional 160 AHI shares.

On June 5, 1996, Thor Gold entered into a mining services contract with S.E. Enterprises to perform contract mining of the Independence workings.

At July 31, 1997, the Company decided not to continue developing this property further and accordingly wrote down the property's carrying value to \$1. Since 1997 the Company has been performing reclamation work on the property.

SOLOMON RESOURCES LIMITED
Notes to Consolidated Financial Statements
Years Ended July 31, 2001 and 2000

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

(c) Mount Monger Gold Project, Australia

During the year ended July 31, 2000, the Company entered into an agreement with General Gold Resources, N.L. ("General Gold"), an Australian Stock Exchange listed company, whereby the Company has the right to earn a 70% interest in General Gold's Mount Monger Gold Project located in Western Australia.

During the year ended July 31, 2001, the Company entered into a new agreement with General Gold, thereby superceding the above agreement. Under the new agreement, the Company can earn a 100% interest in the Mount Monger Gold Project on the following terms:

- (i) payment of A \$592,000 (done);
- (ii) issuance of 1,000,000 fully paid common shares of the Company (done); and
- (iii) replacement of environmental tenement rehabilitation bonds with the Department of Mines and Energy totalling A \$1,058,000 (\$822,912 Cdn.) (done).

The Mount Monger project has been assessed with tenement rehabilitation costs by the Department of Mines and Energy in the amount of the tenement bonds above. The Company does not believe the tenement bonds are fully recoverable, and accordingly, a full provision has been made in the accounts of the Company.

During the year ended July 31, 2001, the Company, through Australia Pty, entered into a joint venture agreement with Goldfields Exploration ("Goldfields") for exploration of the Kalgoorlie area with exception of a small area around the Mount Monger mining centre. In order to participate in the joint venture, Goldfields must:

- (i) pay a A \$200,000 (\$162,000 Cdn.) cash option fee (received);
- (ii) expend a A \$2,500,000 in exploration costs in the first year; and
- (iii) expend a total of A \$6,000,000 in four years to earn a 65% equity in the joint venture.

The Mount Monger Mill and associated plant is excluded from this agreement.

(d) Realization of assets

The investment in and expenditures on resource properties comprises 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.

SOLOMON RESOURCES LIMITED
Notes to Consolidated Financial Statements
Years Ended July 31, 2001 and 2000

6. CAPITAL STOCK

(a) Authorized

100,000,000 Common shares without par value

(b) Issued

	2001		2000	
	Number of Shares	Amount	Number Of Shares	Amount
Balance, beginning of year	27,684,280	\$19,614,494	27,684,280	\$19,614,494
Issued for Property acquisition	1,000,000	120,000	0	0
Balance, end of year	28,684,280	\$19,734,494	27,684,280	\$19,614,494

(c) Share purchase options outstanding are as follows:

	2001		2000	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,720,000	\$ 0.20	1,720,000	\$ 0.20
Granted	250,000	\$ 0.20	0	\$ 0.00
Expired	(500,000)	\$ 0.20	0	\$ 0.00
Options outstanding, end of year	1,470,000	\$ 0.20	1,720,000	\$ 0.20

Expiry Date	Exercise Price	Number of Shares	
		2001	2000
January 31, 2001	\$ 0.20	0	500,000
October 23, 2002	\$ 0.20	1,120,000	1,120,000
June 4, 2004	\$ 0.20	100,000	100,000
March 30, 2006	\$ 0.20	250,000	0

During the year ended July 31, 2000, 500,000 stock options granted to former directors were amended to accelerate the expiry date to January 31, 2001.

(d) No share purchase warrants were outstanding as at July 31, 2001.

SOLOMON RESOURCES LIMITED
Notes to Consolidated Financial Statements
Years Ended July 31, 2001 and 2000

7. INCOME TAX LOSSES

	2001	2000
Future income tax assets at appropriate tax rates		
Canadian non-capital losses at 45% (2000 - 46%)	\$621,000	\$505,500
U.S. losses at 35% (2000 - 35%)	2,021,000	1,953,000
Australian losses at 34% (2000 - 36%)	487,500	82,500
Canadian resource pool deductions at 45% (2000 - 46%)	1,568,700	1,537,800
	4,698,200	4,078,800
Valuation allowance	(4,698,200)	(4,078,800)
	\$0	\$0

The Company's losses for Canadian tax purposes are approximately \$1,380,000 (2000 - \$1,099,000) which may be carried forward to apply against future income for Canadian tax purposes, expiry beginning 2003.

The Company's losses for U.S. tax purposes are approximately U.S. \$3,767,000 (2000 - U.S. \$3,753,000) which may be carried forward to apply against future income for U.S. tax purposes, expiring between 2004 and 2013.

The Company's losses for Australian tax purposes are approximately A \$1,838,000 (2000 - A \$267,000) which may be carried forward to apply against future income for Australian tax purposes.

The Company also has resource tax pool deductions of approximately \$3,486,000 (2000 - \$3,343,000) 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 not likely be realized.

SOLOMON RESOURCES LIMITED
Notes to Consolidated Financial Statements
Years Ended July 31, 2001 and 2000

8. RELATED PARTY TRANSACTIONS

During the year, the Company paid

- (a) office rent, travel, promotion and administrative fees of \$31,997 (2000 - \$41,059) to a company with common officers and a director.
- (b) consulting and management fees of \$96,000 (2000 - \$74,975) to officers and directors.
- (c) professional fees of \$Nil (2000 - \$16,295) to a law firm in which a former director of the Company is a partner.

9. SUBSEQUENT EVENT

Subsequent to the year ended July 31, 2001, the Company, through Australia Pty, entered into an option agreement with Dominion Gold Operations Pty Ltd. ("Dominion") whereby Dominion will have until December 31, 2001 to purchase the Mount Monger Mill for A \$180,000 plus partial rehabilitation of the mill site. Dominion paid Australia Pty A \$20,000 for this option.