

**SOLOMON RESOURCES LTD.**  
**Financial Statements (unaudited)**  
**January 31, 2008**

## **SOLOMON RESOURCES LTD.**

**Unit 3 – 2860 Smith Drive**

**Armstrong, B.C., CANADA V0E 1B1**

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### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

For further information please contact:

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**SOLOMON RESOURCES LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
(Unaudited)

	<b>January 31, 2008</b>	<b>July 31, 2007</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 1,404,449	\$ 2,434,080
Receivables	41,446	48,202
Prepaid expenses	20,580	90,206
Assets held for sale	886,000	908,000
	2,352,475	3,480,488
<b>Property and Equipment</b>	5,813	2,553
<b>Investments (notes 1 and 3)</b>	1,704,755	875,035
<b>Tenement Bond</b>	258,712	265,136
<b>Resource Properties (Note 4)</b>	3,350,052	1,499,350
	<b>\$ 7,671,807</b>	<b>\$ 6,122,562</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 94,046	\$ 129,623
Part XII.6 tax payable	53,591	-
<b>Provision for Rehabilitation of Tenements</b>	400,472	410,416
	548,109	540,039
<b>Shareholders' Equity (schedule)</b>		
Share capital (Note 5)	26,162,381	26,162,381
Contributed surplus	746,738	710,238
Accumulated other comprehensive income	1,108,785	-
Deficit accumulated in the exploration stage	(20,894,206)	(21,290,663)
	7,123,698	5,582,523
	<b>\$ 7,671,807</b>	<b>\$ 6,122,562</b>

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

**APPROVED ON BEHALF OF THE BOARD:**

*"Lawrence J. Nagy" (signed)*

Director

*"Ronald K. Netolitzky" (signed)*

Director

**SOLOMON RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Unaudited)

	Three Months Ended January 31		Six Months Ended January 31	
	2008	2007	2008	2007
<b>Revenues</b>				
Interest	\$ 12,708	\$ 6,898	\$ 35,275	\$ 11,828
Oil, and gas, net	4,557	2,632	6,474	4,585
	17,266	9,530	41,750	16,413
<b>General and Administrative</b>				
Office and miscellaneous	3,609	23,591	31,226	55,784
Professional fees	117,171	111,612	185,456	189,006
Stock based compensation	36,500	-	36,500	-
Rent and administrative services	13,050	7,500	22,050	15,000
Promotion and shareholder costs	69,924	56,948	124,348	69,291
Stock exchange fees	11,235	3,565	11,235	4,808
Transfer agent fees	681	4,688	2,217	5,528
	252,171	207,904	413,033	339,417
<b>LOSS BEFORE OTHER ITEMS</b>				
	(234,905)	(198,374)	(371,283)	(323,004)
<b>OTHER ITEMS</b>				
Write down of investment	-	-	-	(117,824)
Gain on sale of investment	874,615	47,006	898,690	222,599
Resource properties written off	(143,366)	(1,805,910)	(143,366)	(1,691,910)
Recovery of expenditures on resource properties	-	-	114,000	-
Part XII.6 tax on flow through funds	(53,591)	-	(53,591)	-
Gain (loss) on exchange	315	42,426	(48,560)	37,687
	677,973	(1,716,478)	767,173	(1,549,448)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>				
	443,068	(1,914,852)	395,890	(1,872,452)
Reclassification on realization of gain on sale of investment	(763,860)	-	(771,060)	-
Revaluation of investment to fair value	209,454	-	1,433,657	-
	(554,406)	-	662,597	-
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>				
	\$ (111,339)	\$ (1,914,852)	\$ 1,058,486	\$ (1,872,452)
<b>COMPREHENSIVE INCOME (LOSS) PER SHARE</b>				
	\$ (0.00)	\$ (0.04)	\$ 0.02	\$ (0.04)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>				
	54,260,398	45,668,510	54,260,398	44,914,673

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

**SOLOMON RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER EQUITY**  
(Unaudited)

	Share Number	Share Capital Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
<b>Balance July 31, 2007</b>	54,260,398	26,162,381	710,238	-	(21,290,096)	5,582,523
Adjustment to opening balance change in accounting policy (Note 1)				446,188		446,188
Reclassification on realization of gain on sale of investments				(771,060)		(771,060)
Revaluation of investments to fair value at end of period				1,433,657		1,433,657
Stock based compensation			36,500			36,500
Net income for the period					395,890	395,890
<b>Balance January 31, 2008</b>	54,260,398	\$ 26,162,381	\$ 746,738	\$ 1,108,785	\$ (20,894,206)	\$ 7,123,697

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

**SOLOMON RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Unaudited)

	Three months ended January 31		Six months ended January 31	
	2008	2007	2008	2007
<b>OPERATING ACTIVITIES</b>				
Net income / (loss) for the period	\$ 443,068	\$ (1,914,852)	\$ 395,890	\$ (1,872,452)
Items not involving cash				
Write down of investments	-	-	-	117,824
Stock based compensation	36,500	6,000	36,500	12,000
Write off expenditures on resource properties	143,366	1,805,910	143,366	1,691,910
Recovery of expenditures previously written off on resource properties	-	-	(114,000)	-
Gain on sale of investments	(874,615)	(47,006)	(898,690)	(222,559)
<b>Operating cash flow</b>	<b>(251,682)</b>	<b>(149,948)</b>	<b>(436,935)</b>	<b>(273,277)</b>
<b>Changes in non-cash working capital</b>				
Accounts payable and accrued liabilities	(224,483)	26,229	18,014	38,868
Prepaid expenses	(12,278)	(19,437)	69,626	(10,695)
Assets held for sale	(8,000)		22,000	
Accounts receivable & GST receivable	78,905	2,136	6,756	11,953
	(165,857)	8,928	116,395	40,126
<b>Cash (used in) operating activities</b>	<b>(417,538)</b>	<b>(141,020)</b>	<b>(320,539)</b>	<b>(233,151)</b>
<b>FINANCING ACTIVITIES</b>				
<b>Proceeds from the issue of common shares (net)</b>	-	1,341,959	-	1,341,959
<b>INVESTING ACTIVITIES</b>				
Proceeds on sale of investments	1,241,082	27,406	1,291,756	235,691
Tenement provision	1,280	146,573	(3,520)	146,573
Purchase of equipment	(3,260)	-	(3,260)	-
Net expenditures on resource properties	(964,409)	(234,073)	(1,994,069)	(411,820)
<b>Cash provided by (used in) investing activities</b>	<b>274,694</b>	<b>(60,094)</b>	<b>(709,092)</b>	<b>(29,556)</b>
<b>Inflow / (Outflow) of cash and cash equivalents</b>	<b>(142,844)</b>	<b>1,140,845</b>	<b>(1,029,631)</b>	<b>1,079,252</b>
<b>Cash and cash equivalents:</b>				
- beginning of period	1,547,293	241,264	2,434,080	302,857
- end of period	\$ 1,404,449	\$ 1,382,109	\$ 1,404,449	\$ 1,382,109
<b>Non cash items</b>				
Investments received for property payments	\$ -	\$ -	\$ 114,000	\$ 338,000
<b>Supplemental Information</b>				
Income tax paid	\$ -	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ -	\$ -	\$ -

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

# SOLOMON RESOURCES LIMITED

## Notes to Financial Statements

January 31, 2008

Unaudited

### 1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and accordingly do not include all disclosure required for annual financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered for a fair presentation have been included. Operating results for the six months ended January 31, 2008 are not necessarily indicative of the result that may be expected for the full year ending July 31, 2008.

These statements should be read in conjunction with the July 31, 2007 annual financial statements, including the accounting policies and notes thereto, included in the Annual Report for the year ended July 31, 2007. These financial statements reflect the same significant accounting policies as those described in the notes to the audited financial statements of Solomon Resources Limited for the year ended July 31, 2007.

#### Adoption Of New Accounting Standards At August 1, 2007

##### i) Financial Instruments- Recognition and Measurement (Section 3855)

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to October 1, 2006 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification.

## **SOLOMON RESOURCES LIMITED**

### **Notes to Financial Statements**

**January 31, 2008**

**Unaudited**

ii) **Comprehensive Income (Section 1530)**

Comprehensive income is the change in shareholders' equity during a period from transaction and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of the net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

Accordingly, the Company now reports a statement of comprehensive income (loss) and includes the account "accumulated other comprehensive income" in the shareholders' equity section of the consolidated balance sheet.

The adoption of Sections 3855 and 1530 impacts how the Company records its investments which are now classified as a financial instrument "available for sale" and thus has to be reported at fair value.

The adjustment to opening balance to recognize this was \$446,188, any further unrealized gains or losses in the six months ended January 31, 2008 are reported in the current period.

## **2. Nature of Business and Ability to Continue as a Going Concern**

The Company was incorporated under the Laws of British Columbia. Its principal activity is the exploration for and development of natural resource properties either directly or indirectly through its investments.

The Company's financial statements have been presented on the basis that it will continue as a going-concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has an accumulated deficit of \$20,894,206 as at January 31, 2008. These losses and the need for continued funding, discussed below, raise substantial doubt about the Company's ability to continue as a going-concern.

The Company's ability to continue as a going concern is dependent upon additional financings being obtained in order to complete the exploration and development of the Company's properties, and realize its assets and discharged its liabilities in the normal course of business.



**SOLOMON RESOURCES LIMITED**

**Notes to Financial Statements**

**January 31, 2008**

**Unaudited**

**3. Investments**

	<b>January 31, 2008</b>	
	Number of Shares	Market Value
Integra Mining Limited	3,000,000	\$ 870,754
Brett Resources Inc.	600,000	\$ 834,000
Prospector Cons. Resources Ltd	-	\$ -
		<u>\$ 1,704,754</u>
	<b>July 31, 2007</b>	
	Number of Shares	Market Value
Integra Mining Limited	5,047,485	\$ 916,623
Brett Resources Inc.	400,000	\$ 392,000
Prospector Cons. Resources Ltd	90,000	\$ 12,600
		<u>\$ 1,321,223</u>

**4. Investment in and expenditures on resource properties**

	Balance July 31, 2007	Additions	Write offs	Balance January 31, 2008
Burkina Faso	\$ 1	-	-	\$ 1
Metla	\$ 1	-	-	\$ 1
Mongolia SRM	\$ 735,511	969,153	-	\$ 1,704,664
Sleitat	\$ 1	-	-	\$ 1
Bowron Basin (Coal)	\$ 109,639	32	-	\$ 109,671
BC COL	\$ 504,304	1,013,852	-	\$ 1,518,156
EYAP (Ontario)	\$ 135,255	8,111	(143,366)	\$ -
Nook / Rook	\$ 14,638	2,919	-	\$ 17,557
Total	<u>\$ 1,499,350</u>	<u>1,994,068</u>	<u>(143,366)</u>	<u>\$ 3,350,051</u>

**SOLOMON RESOURCES LIMITED**

**Notes to Financial Statements**

**January 31, 2008**

**Unaudited**

**5. Capital Stock**

(a) Authorized

Unlimited Common shares without par value

(b) Issued

	Number of shares	Amount
Balance, July 31, 2007 and January 31, 2008	54,260,398	26,162,381

In the year ended July 31, 2007 the Company completed two separate flow through financings for gross proceeds of \$1,453,273 and \$700,000 respectively. As at January 31, 2008 all of the first flow through financing had been spent on qualifying expenditures.

(c) Stock Options

As at January 31, 2008, the following options were outstanding:

Expiry Date	Exercise Price	Number of Shares
March 3, 2010	\$ 0.36	100,000
June 5, 2010	\$ 0.40	50,000
June 27, 2010	\$ 0.35	250,000
November 3, 2010	\$ 0.25	20,000
November 18, 2010	\$ 0.31	150,000
January 13, 2011	\$ 0.36	1,020,000
April 20, 2011	\$ 0.36	350,000
April 5, 2012	\$ 0.36	760,000
January 9, 2013	\$ 0.36	200,000
		<b>2,900,000</b>

(d) Share purchase warrants

As at January 31, 2008, the following warrants were outstanding;

Expiry Date	Exercise Price	Number of Warrants
December 29, 2008	\$ 0.50	2,101,606
February 28, 2008 / 2009	\$ 0.36 / 0.75	1,166,666
July 5, 2009	\$ 0.50	3,363,016
		<b>6,631,288</b>