

SOLOMON RESOURCES LTD.

Financial Statements

(Unaudited)

October 31, 2010

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
(An Exploration Stage Company)
Consolidated Balance Sheets
(Unaudited)

	October 31	July 31
	2010	2010
ASSETS		
Current		
Cash and cash equivalents	\$ 1,243,551	\$ 573,353
Reclamation deposit	18,000	18,000
Tenement bond	12,000	11,164
Receivables	108,140	37,326
Prepaid expenses	26,439	78,360
	1,408,130	718,203
Reclamation Deposit	10,000	10,000
Equipment	23,205	23,224
Mineral Property Interests (Note 3)	1,648,492	1,176,543
	\$ 3,089,827	\$ 1,927,970
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 95,438	\$ 190,484
	95,438	190,484
Shareholders' Equity (schedule)		
Share capital (Note 4)	29,018,011	27,754,111
Contributed surplus	1,123,558	1,010,935
Deficit accumulated in the exploration stage	(27,147,180)	(27,027,560)
	2,994,389	1,737,486
	\$ 3,089,827	\$ 1,927,970

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

APPROVED ON BEHALF OF THE BOARD:

 "Randall S Rogers" (signed)
 Director

 "Ronald K. Netolitzky" (signed)
 Director

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Statements of Operations
(Unaudited)

Three months ended October 31	2010	2009
General and Administrative Expenses		
Office and miscellaneous	\$ 13,502	\$ 7,494
Professional fees	7,010	36,266
Management fees	48,687	47,699
Amortisation	6,314	5,789
Rent	5,118	4,558
Travel, promotion and shareholder costs	38,505	11,560
Stock exchange fees	-	8,868
Transfer agent fees	2,920	2,211
	122,056	124,445
LOSS BEFORE OTHER ITEMS	(122,056)	(124,445)
Other Items		
Oil, and gas, net	\$ 5,263	\$ 4,605
Interest, net	917	62
Gain / (loss) on sale of investments (net)	-	(8,715)
Write off of expenditures on resource properties	(4,097)	-
Recovery of expenditures on resource properties	-	3,833
Gain / (loss) on exchange	353	10
	2,436	(205)
LOSS BEFORE INCOME TAXES	(119,620)	(124,650)
Income Tax Recovery (Expense)		
Current	-	-
Future	-	-
NET LOSS FOR THE PERIOD	\$ (119,620)	(124,650)
Net Loss Per Share	(0.01)	(0.02)
Weighted Average Number of Shares Outstanding	19,697,531	7,922,441

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

SOLOMON RESOURCES LIMITED**(An Exploration Stage Company)****Statement of Changes to Shareholders' Equity in the three months ended October 31, 2010****(Unaudited)**

	Capital Stock			Deficit	Total Shareholders' Equity
	Shares	Amount	Contributed Surplus		
Balance July 31, 2010	16,311,695	\$ 27,754,111	\$ 1,010,935	\$ (27,027,560)	\$ 1,737,486
Shares issued for cash	6,498,110	\$ 1,490,065			\$ 1,490,065
Share issue costs (cash based)		\$ (113,543)			\$ (113,543)
Warrants issued as finders' fees		\$ (112,623)	\$ 112,623		\$ -
Net (loss) for the period		\$		(119,620)	\$ (119,620)
Balance October 31, 2010	22,809,805	\$ 29,018,011	\$ 1,123,558	\$ (27,147,180)	\$ 2,994,388

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

SOLOMON RESOURCES LIMITED
(An Exploration Stage Company)
Consolidated Statements of Cash flows
(Unaudited)

Three Months Ended
October 31
2010 **2009**

OPERATING ACTIVITIES			
Net loss for the period		\$ (119,620)	\$ (124,651)
Items not involving cash			
Amortisation		6,314	5,789
Write off of expenditures on resource properties		4,097	-
Recovery of expenditures previously written off on resource properties		-	(3,833)
(Gain) / loss on sale of investments		-	8,715
Operating cash flow		(109,209)	(113,980)
Changes in non-cash working capital			
Accounts payable and accrued liabilities		(95,046)	161,547
Prepaid expenses		51,921	7,093
Accounts receivable		(70,814)	77,619
		(113,939)	246,259
Cash from (used in) operating activities		(223,148)	132,279
FINANCING ACTIVITIES			
Cash proceeds (net) on issue of shares		1,376,523	706,583
Repayment of loans from directors		-	(100,000)
Cash provided by financing activities		1,376,523	606,583
INVESTING ACTIVITIES			
Proceeds on sale of investments (net)		-	131,960
Other investments made		-	(154,000)
Recovery of Mineral Exploration Tax Credit (B.C.)		-	3,833
(Additional) / Recovery of reclamation deposits and bonds		(836)	(28,000)
Purchase of equipment		(6,295)	(1,079)
Cash expenditures on resource properties		(476,046)	(418,486)
Cash provided by (used in) investing activities		(483,177)	(465,772)
Inflow / (Outflow) of cash and cash equivalents		670,198	273,090
Cash and cash equivalents:			
- beginning of year		573,353	120,078
- end of year		\$ 1,243,551	\$ 393,168
Cash and cash equivalents consist of:			
Balances in bank accounts		\$ 143,551	393,168
Term Deposits		\$ 1,100,000	-
Supplemental Information			
Income tax paid		\$ -	\$ -
Interest paid		\$ -	\$ -
Shares issued for interest in resource properties		\$ -	\$ 150,000
Mineral property interest expenditures included in accounts payable		\$ 43,912	\$ 154,237

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

SOLOMON RESOURCES LIMITED

(An Exploration Stage Company)

Notes to Financial Statements

October 31, 2010

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 three months ended October 31, 2010 are not necessarily indicative of the result that may be expected for the full year ending July 31, 2011.

These statements should be read in conjunction with the July 31, 2010 annual financial statements, including the accounting policies and notes thereto, included in the Annual Report for the year ended July 31, 2010. 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, 2010.

Adoption of New Accounting Standards at August 1, 2010

- (a) Change in accounting policy

Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants (“CICA”) issued Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary.

The Company has early adopted CICA Handbook Section 1582, which replaces the previous business combinations standard. The new standard requires that all of the assets acquired and the liabilities assumed in a business combination be recorded at fair value, which was not the case under the previous standard. The new standard also requires that previously held ownership interests be re-measured to the acquisition date fair value, rather than being restated to cost. In addition, the new standard requires that all acquisition costs associated with the acquisition are expensed, rather than being capitalized as part of the acquisition, that contingent liabilities are recognized at fair value at the acquisition date and subsequently re-measured to fair value with changes

SOLOMON RESOURCES LIMITED

(An Exploration Stage Company)

Notes to Financial Statements

October 31, 2010

Unaudited

recognized in earnings, and that a bargain purchase is recognized in earnings rather than being allocated to non-monetary assets.

The Company also early adopted CICA Handbook Sections 1601 and 1602, which together replaced Section 1600. Section 1602 requires non-controlling interests to be presented within equity.

The adoption of the new sections has been completed on a prospective basis and has no impact on the Company's consolidated financial statements.

- (b) Future accounting change

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian generally accepted accounting principles will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements commencing with its October 31, 2011 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended July 31, 2011. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS.

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

The Company was incorporated on August 1, 1989 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 \$27,147,180 as at October 31, 2010. 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 its continuing liquidity. This is likely to require additional financings in order to complete the exploration and development of the Company's properties, and to realize its assets and discharge its liabilities in the normal course of business. The Company's going concern is thus dependent on its ability to raise new capital when necessary.

SOLOMON RESOURCES LIMITED**(An Exploration Stage Company)****Notes to Financial Statements****October 31, 2010****Unaudited****3. Investment in and expenditures on resource properties – three months to October 31, 2010**

	Balance Jul 31, 2010	Additional spending	Write offs / recoveries	Balance Oct 31, 2010
Mongolia SRM	\$ 1,000	4,097	(4,097)	\$ 1,000
Sleitat	\$ 1	-	-	\$ 1
Cry Lake	\$ 586,604	1,323	-	\$ 587,927
Ten Mile Creek	\$ 583,937	422,752	-	\$ 1,006,689
Pacer	\$ 1,123	19,001	-	\$ 20,124
Rosie	\$ 1,123	21,070	-	\$ 22,193
SW Yukon	\$ 2,755	7,803	-	\$ 10,558
	\$ 1,176,543	476,046	(4,097)	\$ 1,648,492

4. Capital Stock

(a) Authorized

Unlimited Common shares without par value

(b) Issued

	Number of shares	Amount
At July 31, 2010	16,311,695	\$27,754,111
At October 31, 2010	22,809,805	\$29,018,011

During the first quarter the Company issued 6,498,110 common shares for proceeds, net of capital raising costs, of \$1,263,900.

SOLOMON RESOURCES LIMITED**(An Exploration Stage Company)****Notes to Financial Statements****October 31, 2010****Unaudited****(c) Stock Options**

At October 31, 2010 the following options were outstanding:

Expiry Date	Exercise Price	Number of shares
November 18, 2010	\$ 3.10	5,000
January 13, 2011	\$ 3.60	55,000
April 20, 2011	\$ 3.60	5,000
April 5, 2012	\$ 3.60	42,000
January 8, 2013	\$ 3.60	20,000
October 2, 2013	\$ 2.50	82,000
December 1, 2014	\$ 0.265	570,000
February 3, 2015	\$ 0.35	100,000
February 3, 2015	\$ 0.50	100,000
Total		979,000

(d) Share purchase warrants

At October 31, 2010 the following warrants were outstanding. Under certain conditions the exercise price may change.

Expiry Date	Exercise Price	Number of Warrants
September 23, 2011	\$ 0.30 - 0.40	1,547,617
October 30, 2011	\$ 0.30 - 0.40	275,000
April 14, 2012	\$ 0.25 - 0.30	496,200
April 23, 2012	\$ 0.25 - 0.30	2,306,568
July 23, 2012	\$ 0.15 - 0.30	9,415,732
Total		14,041,117

Contingent warrants issuable: 773,188