

**SOLOMON RESOURCES LTD.**

**Financial Statements (unaudited)**

**January 31, 2007**

# **SOLOMON RESOURCES LTD.**

Suite 900 - 475 Howe Street

Vancouver, B.C., CANADA V6C 2B3

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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:

Lawrence Nagy, President & CEO

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**SOLOMON RESOURCES LIMITED**  
**Consolidated Balance Sheets**  
**Expressed in Canadian Dollars**  
**Unaudited**

	<b>January 31</b>	<b>July 31</b>
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$1,382,109	\$302,857
Accounts receivable	19,695	31,648
Prepaid expenses	28,483	17,788
	1,430,287	352,293
<b>Property and Equipment</b>	1	1
<b>Investments</b> (note 3)	1,076,739	869,695
<b>Tenement Bond</b>	265,857	412,430
<b>Investment in and Expenditures on Resources Properties</b> (notes 4)	2,292,904	4,058,540
	\$5,065,788	\$5,692,959
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$71,172	\$32,304
<b>Provision for Rehabilitation of Tenements</b>	244,790	392,336
	315,962	424,640
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 5)	24,385,291	23,043,332
<b>Contributed Surplus</b>	542,650	530,650
<b>Deficit</b>	(20,178,115)	(18,305,663)
	4,749,826	5,268,319
	\$5,065,788	\$5,692,959

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**  
**Expressed in Canadian Dollars**  
**Unaudited**

	Three months ended January 31		Six months ended January 31	
	2007	2006	2007	2006
<b>Revenues</b>				
Interest	\$6,898	\$14,951	\$11,828	\$33,785
Gas royalty	2,632	3,298	4,585	6,343
	9,530	18,249	16,413	40,128
<b>Expenses</b>				
Office and miscellaneous	23,591	48,680	55,744	69,005
Stock based compensation	-	268,900	-	268,900
Professional fees	111,612	111,140	189,006	189,785
Rent and administrative services	7,500	8,913	15,000	17,686
Travel, promotion and shareholders' information	56,948	50,215	69,291	81,381
Stock exchange fees	3,565	4,960	4,808	5,960
Transfer agent fees	4,688	3,709	5,528	6,217
	207,904	496,517	339,377	638,934
<b>Loss from Operations</b>	(198,374)	(478,268)	(322,964)	(598,806)
<b>Other Items</b>				
Write down of investment	-	-	(117,824)	-
Gain on sale of investment	47,006	80,834	222,599	170,944
Loss on exchange	42,426	(18,023)	37,687	(62,131)
Write-off of investment in and expenditures on resource properties	(1,805,910)	(1)	(1,691,910)	(6,130)
	(1,716,478)	62,810	(1,549,488)	102,683
<b>Net Income (Loss) for Period</b>	(1,914,852)	(415,458)	(1,872,452)	(496,123)
<b>Deficit, Beginning of Period</b>	18,263,263	17,660,136	18,305,663	17,579,471
<b>Deficit, End of Period</b>	\$20,178,115	\$18,075,594	\$20,178,115	\$18,075,594
<b>Income (Loss) Per Share</b>	(\$0.04)	(\$0.01)	(\$0.04)	(\$0.01)
<b>Weighted Average Number of Shares Outstanding</b>	46,962,977	41,696,864	45,561,907	41,109,198

**SOLOMON RESOURCES LIMITED**  
**Consolidated Statements of Cash Flows**  
**Expressed in Canadian Dollars**  
**Unaudited**

	Three months ended January 31		Six months ended January 31	
	2007	2006	2007	2006
<b>Operating Activities</b>				
Net income (loss)	\$ (1,914,852)	\$ (415,458)	\$ (1,872,452)	\$ (496,123)
Items not involving cash				
Write-down of investment	0	0	117,824	0
Write-off of investment in and expenditures on resource properties	1,805,910	1	1,691,910	6,130
Gain on sale of investments	(47,006)	(80,834)	(222,559)	(170,944)
Stock based compensation	6,000	268,900	12,000	268,900
<b>Operating Cash Outflow</b>	<b>(149,948)</b>	<b>(227,391)</b>	<b>(273,277)</b>	<b>(392,037)</b>
<b>Changes in Non-Cash Working Capital</b>				
Accounts payable and accrued liabilities	26,229	(8,073)	38,868	(59,731)
Prepaid expenses	(19,437)	-	(10,695)	-
Accounts receivable	2,136	879,237	11,953	7,860
	8,928	871,164	40,126	(51,871)
<b>Cash used in Operating activities</b>	<b>(141,020)</b>	<b>643,773</b>	<b>(233,151)</b>	<b>(443,908)</b>
<b>Financing Activities</b>				
Proceeds from common shares issued (net)	1,341,959	274,315	1,341,959	900,298
<b>Investing Activities</b>				
Proceeds on sale of investments	27,406	160,779	235,691	250,889
Recovery of tenement provision	146,573	-	146,573	924,148
Expenditures on resource properties (net)	(234,073)	(655,975)	(411,820)	(1,014,797)
<b>Cash provided by Investing Activities</b>	<b>(60,094)</b>	<b>(495,196)</b>	<b>(29,556)</b>	<b>160,240</b>
<b>Inflow (Outflow) of Cash and Cash equivalents</b>	<b>1,140,845</b>	<b>422,892</b>	<b>1,079,252</b>	<b>616,630</b>
<b>Cash and cash equivalents, Beginning of Period</b>	<b>241,264</b>	<b>535,438</b>	<b>302,857</b>	<b>341,700</b>
<b>Cash and cash equivalents, End of Period</b>	<b>\$1,382,109</b>	<b>\$958,330</b>	<b>\$1,382,109</b>	<b>\$958,330</b>
<b>Non Cash Items</b>				
Investments received for property	\$0	\$0	\$338,000	\$451,632
<b>Supplemental Information</b>				
Income tax paid	\$0	\$0	\$0	\$0
Interest paid	\$0	\$0	\$0	\$0

# **SOLOMON RESOURCES LTD.**

## **Notes to Financial Statements**

**January 31, 2007**  
**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, 2007 are not necessarily indicative of the result that may be expected for the full year ending July 31, 2007.

These statements should be read in conjunction with the July 31, 2006 annual financial statements, including the accounting policies and notes thereto, included in the Annual Report for the year ended July 31, 2006. These financial statements reflect the same significant accounting policies as those described in the notes to the audited financial statements of Solomon Resources Ltd. for the year ended July 31, 2006.

### **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 \$20,178,115 as at January 31, 2007. 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 LTD.

## Notes to Financial Statements

January 31, 2007  
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### 3. Investments

	January 31, 2007			July 31, 2006		
	Number of shares	Market Value	Cost	Number of shares	Market Value	Cost
Integra Mining Ltd.	5,467,485	\$621,926	\$578,734	5,467,485	\$877,995	\$664,408
Brett Resources Inc.	400,000	316,000	228,000	200,000	150,000	114,000
Asia Gold Corp.	140,821	271,784	264,605	50,000	130,000	50,000
Skeena Resources Ltd.	0	0	0	512,667	148,673	35,887
Prospector Cons. Resources Ltd.	90,000	15,300	5,400	90,000	8,100	5,400
Maple Leaf Resoestation Ltd.	0	0	0	50,000	7,000	0
		\$1,225,010	\$1,076,739		\$303,703	\$41,287

### 4. INVESTMENT AND EXPENDITURES ON RESOURCE PROPETIES

	Kalgoorlie Southeast Project	Mongolia Gallant	Mongolia SRM	BC Coal	BC Bowron	EYAP Ontario	Other	Total
Balance July 31, 2006	\$1,619,075	\$2,089,178	\$263,742	-	\$33,859	-	\$52,686	\$4,058,540
Additions	85,421	24,732	260,904	58,679	17,188	48,896	-	495,820
Option payments received	-	(84,000)	-	-	-	-	(114,000)	(84,000)
Cash	-	(224,000)	-	-	-	-	-	(338,000)
Shares	(147,546)	-	-	-	-	-	114,000	(147,546)
Recovery tenement provison write-offs	-	(1,805,910)	-	-	-	-	-	(1,691,910)
Balance January 31, 2007	\$1,556,950	-	\$524,646	\$58,679	\$51,047	\$48,896	\$52,686	\$2,292,904

### 5. CAPITAL STOCK

(a) Authorized  
Unlimited Common shares without par value

(b) Issued

	Number of shares	Amount
Balance, July 31, 2006	44,160,836	23,043,332
Private placement	4,203,212	1,453,275
Share issue costs	-	(111,316)
Balance January 31, 2007	48,364,048	24,385,291

# SOLOMON RESOURCES LTD.

## Notes to Financial Statements

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The Company raised \$1,453,275 in a private placement financing involving the issuance of 3,310,640 'super' flow-through units at a price of \$0.35 per unit and 892,572 (regular) flow-through units at a price of \$0.33 per unit. Each unit consisted of one flow-through common share and one-half of one non-flow-through, transferable common share purchase warrant. Each full warrant is exercisable to purchase one common share of the Company at an exercise price of \$0.50 for a period of two years. The warrants are subject to an accelerated expiry provision whereby the exercise period of the warrants may be reduced, upon notice to holders and at the election of the Company, if the closing price of the shares is equal to or greater than \$0.75 per share for 10 consecutive trading days. If this condition is met and the Company so elects, the exercise period will be reduced to 25 business days from the date notice is provided by the Company to warrant holders.

The Company paid finders' fees to registered brokers on that portion of the funds raised from investors introduced by them. The 'super' flow-through proceeds will be used to finance exploration work on the Company's recently acquired COL Copper-Gold Project near Fort St. James, B.C. and the (regular) flow-through proceeds will be used to finance diamond drilling at the Eyapamikama VMS Property north of Pickle Lake, Ontario.

### (c) Stock Options

As at January 31, 2007, 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
June 7, 2011	\$0.36	200,000
		2,140,000

### (d) Share purchase warrants

As at January 31, 2007, the following warrants were outstanding;

Expiry date	Price	
September 22, 2007	\$0.50	963,000
December 29, 2008	\$0.50	2,101,606



# **SOLOMON RESOURCES LTD.**

## **Notes to Financial Statements**

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### **6. SUBSEQUENT EVENT**

In February, 2007 the Company raised a total of \$700,000 through a non-brokered private placement at a price of \$0.30 per unit. Each unit consisted of one 'flow-through' common share and one-half of one non-flow-through, transferable warrant. Each full warrant is exercisable to purchase one common share for a period of two years at an exercise price of \$0.55 in the first year and \$0.75 in the second year. The warrants are subject to an accelerated expiry wherein the exercise period of the warrants may be reduced, upon notice to holders, if the closing price of the shares is equal to or greater than \$0.75 per share for 10 consecutive trading days. If this condition is met and Solomon so elects, the exercise period will be reduced to 25 business days from the date notice is provided by it to the warrant holders. A 7.5% finder's fee was paid in cash.

The flow-through proceeds will be used to finance the diamond drilling at Solomon's Eyapamikama VMS Property north of Pickle Lake, Ontario and exploration of Solomon's Bowron Basin Coal Property.