

**SOLOMON RESOURCES LTD.**

**Financial Statements**

**(Unaudited)**

**October 31, 2009**

# **SOLOMON RESOURCES LTD.**

**Unit 3 – 2860 Smith Drive**

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

**Phone: (250) 546-4772 Fax: (250) 546-6656 Web Site: [www.solomonresources.ca](http://www.solomonresources.ca)**

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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:

Randall S Rogers, CEO

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**SOLOMON RESOURCES LIMITED**  
**(An Exploration Stage Company)**  
**Consolidated Balance Sheets**  
**(Unaudited)**

	<b>October 31</b>	<b>July 31</b>
	<b>2009</b>	<b>2009</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 393,167	\$ 120,078
Reclamation bonds	38,719	10,720
Receivables	110,709	188,328
Prepaid expenses	15,387	22,480
	<b>557,982</b>	<b>341,606</b>
<b>Property and Equipment</b>	<b>40,591</b>	<b>45,300</b>
<b>Marketable Securities (Note 3)</b>	<b>56,535</b>	<b>156,953</b>
<b>Other Investments</b>	<b>154,000</b>	<b>-</b>
<b>Mineral Property Interests (Note 4)</b>	<b>2,408,928</b>	<b>1,840,442</b>
	<b>\$ 3,218,036</b>	<b>\$ 2,384,301</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 296,085	\$ 134,537
Directors' loans (Note 5)	-	100,000
	<b>296,085</b>	<b>234,537</b>
<b>Shareholders' Equity (schedule)</b>		
Share capital (Note 6)	26,822,761	25,941,179
Subscriptions received	-	25,000
Contributed surplus	753,438	753,438
Accumulated other comprehensive income	(7,421)	(47,678)
Deficit accumulated in the exploration stage	(24,646,827)	(24,522,175)
	<b>2,921,951</b>	<b>2,149,764</b>
	<b>\$ 3,218,036</b>	<b>\$ 2,384,301</b>

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)**

<b>Three Months Ended October 31</b>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>		
Interest, net	\$ 62	871
Oil, and gas, net	4,605	6,000
	<b>4,667</b>	<b>6,871</b>
<b>General and Administrative Expenses</b>		
Office and miscellaneous	7,494	26,340
Professional fees	36,266	31,575
Management fees	47,699	84,731
Stock based compensation	-	153,000
Amortisation	5,789	2,773
Rent and administrative services	4,558	7,861
Travel, promotion and shareholder costs	11,560	8,933
Stock exchange fees	8,868	3,225
Transfer agent fees	2,211	753
	<b>124,446</b>	<b>319,191</b>
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(119,779)</b>	<b>(312,320)</b>
<b>Other Items</b>		
Gain / (loss) on sale of investments (net)	(8,715)	14,767
Write off of expenditures on resource properties	-	(15,478)
Recovery of expenditures on resource properties	3,833	386,999
Gain / (loss) on exchange	10	(105,979)
	<b>(4,872)</b>	<b>280,309</b>
<b>LOSS BEFORE INCOME TAXES</b>	<b>(124,651)</b>	<b>(32,011)</b>
<b>Income Tax Payable</b>	-	-
<b>Future Income Tax Recovery</b>	-	-
<b>NET LOSS FOR THE QUARTER</b>	<b>\$ (124,651)</b>	<b>(32,011)</b>
<b>Net Loss Per Share</b>	<b>(0.02)</b>	<b>(0.01)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>7,922,441</b>	<b>5,431,898</b>

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

**SOLOMON RESOURCES LIMITED**  
**(An Exploration Stage Company)**  
**Statement of Changes to Shareholders' Equity**  
**(Unaudited)**

	Capital Stock		Contributed Surplus	Sub - scriptions Received	Accumulated Other Comprehensive Income / (Loss)	Deficit	Total Shareholders' Equity
	Shares	Amount					
<b>Balance July 31, 2009</b>	6,270,160	\$ 25,941,179	753,438	25,000	(47,678)	(24,522,175)	2,149,764
Subscriptions closed	100,000	25,000		(25,000)			
Issue of shares for interest in resource properties	600,000	150,000					150,000
Issue of shares - private placements	936,000	234,000					234,000
Issue of shares - flow through private placement	2,435,713	511,500					511,500
Capital raising costs		(38,918)					(38,918)
Reclassification on realization of loss on sale of investments					33,479		33,479
Revaluation of investments to fair value at end of period					6,778		6,778
Net (loss) for the period						(124,651)	(124,651)
<b>Balance October 31, 2009</b>	10,341,873	\$ 26,822,761	\$ 753,438	\$ -	\$ (7,421)	\$ (24,646,827)	\$ 2,921,951

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

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

<b>Three Months Ended October 31</b>	<b>2009</b>	<b>2008</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (124,651)	\$ (32,010)
Items not involving cash		
Amortisation	5,789	2,773
Stock based compensation	-	153,000
Unrealised exchange loss	-	69,944
Recovery of expenditures previously written off on resource properties	(3,833)	(386,999)
(Gain) / loss on sale of investments	8,715	(14,767)
<b>Operating cash flow</b>	<b>(113,980)</b>	<b>(208,059)</b>
<b>Changes in non-cash working capital</b>		
Accounts payable and accrued liabilities	161,547	(260,141)
Prepaid expenses	7,093	10,679
Accounts receivable & GST receivable	77,619	32,541
	<b>246,260</b>	<b>(216,921)</b>
<b>Cash from (used in) operating activities</b>	<b>132,279</b>	<b>(424,980)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds on sale of investments (net)	131,960	248,959
Other investments made	(154,000)	-
Cash proceeds (net) on issue of shares	706,583	-
Repayment of loans from directors	(100,000)	-
Recovery of Mineral Exploration Tax Credit (British Columbia)	3,833	-
Recovery of / (increase in) reclamation bonds	(28,000)	273,463
Purchase of equipment	(1,079)	-
Cash expenditures on resource properties	(418,486)	(291,703)
<b>Cash provided by (used in) investing activities</b>	<b>140,810</b>	<b>230,719</b>
<b>Inflow / (Outflow) of cash and cash equivalents</b>	<b>273,089</b>	<b>(194,261)</b>
<b>Cash and cash equivalents:</b>		
- beginning of period	120,078	286,151
- end of period	\$ 393,167	\$ 91,890
<b>Cash and cash equivalents consist of:</b>		
Balances in bank accounts	\$ 393,167	120,078
<b>Supplemental Information</b>		
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Shares issued for interest in resource properties	\$ 150,000	\$ 50,000
Mineral property interest expenditures included in accounts payable	\$ 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, 2009**

**Unaudited**

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### **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, 2009 are not necessarily indicative of the result that may be expected for the full year ending July 31, 2010.

These statements should be read in conjunction with the July 31, 2009 annual financial statements, including the accounting policies and notes thereto, included in the Annual Report for the year ended July 31, 2009. 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, 2009.

#### **Adoption of New Accounting Standards at August 1, 2008**

(i) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is effective for the Company on August 1, 2009. The Company has determined that the adoption of this change will have no impact on the disclosure in its consolidated financial statements.

(ii) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. While the Company has

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(An Exploration Stage Company)

## Notes to Financial Statements

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begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### 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 \$24,646,827 as at October 31, 2009. 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.

### 3. Investments

	October 31, 2009	
	Number of Shares	Market Value
Integra Mining Limited.	206,745	\$ 50,487
Orezone Gold Corporation	10,250	\$ 6,048
		<u>\$ 56,535</u>

  

	July 31, 2009	
	Number of Shares	Market Value
Integra Mining Limited	706,745	\$ 151,520
Orezone Gold Corporation	10,250	\$ 5,433
		<u>\$ 156,953</u>



## SOLOMON RESOURCES LIMITED

(An Exploration Stage Company)

### Notes to Financial Statements

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During the quarter the Company sold 500,000 shares in Integra Mining Ltd for net proceeds of \$131,960 (CAD).

Some of the proceeds of share sales were used to pay down a portion of the directors' loans.

The Company relies on being able to liquidate its investments to provide working capital. The value of its investments is subject to the risk of fluctuations in share prices on the TSX-V and the Australian Securities Exchange and, with respect to Integra Mining Ltd., the exchange rate of the Australian dollar. The Company mitigates these risks through judicious liquidation practices.

#### 4. Investment in and expenditures on resource properties – three months to October 31, 2009

	Balance	Additional	Shares issued	Write offs /	Balance
		spending	for interest in	recoveries	
	July 31, 2009		property		October 31, 2009
Mongolia SRM	\$ 1,624,738	72,382	-	-	\$ 1,697,120
Sleitat	\$ 1	-	-	-	\$ 1
COL	\$ 1	-	-	-	\$ 1
Bonanza (BC)	\$ 201,988	17,049	-	-	\$ 219,037
Cry Lake / Nizi (BC)	\$ 13,714	316,511	30,000	-	\$ 360,225
Ten Mile Creek (Yukon)	\$ -	12,545	120,000	-	\$ 132,545
Total	\$ 1,840,442	\$ 418,486	\$ 150,000	\$ -	\$ 2,408,928

#### 5. Directors' loans

As announced in a news release on December 1, 2008 the Company obtained a short term loan of \$500,000 from two directors of the Company. Following the approval of the TSX Venture Exchange the directors were each issued 100,000 (post consolidation) common shares in the Company as a bonus for making the loan. The loan was interest free, secured by a pledge of the Company's shares in publicly traded companies, repayable within six months and was used for general corporate purposes. The loan was necessitated by the unfavourable conditions prevailing at the time in the capital markets. \$400,000 was repaid in the quarter ended April 30, 2009 and the balance was repaid in the quarter ended October 31, 2009.

# SOLOMON RESOURCES LIMITED

(An Exploration Stage Company)

## Notes to Financial Statements

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### 6. Capital Stock

(a) Authorized  
Unlimited Common shares without par value

(b) Issued

	Number of shares	Amount
At July 31, 2009	6,270,160	\$ 25,941,179
At October 31, 2009	10,341,873	\$ 26,822,761

During the quarter the Company issued 3,371,713 common shares and raised \$706,583 (net) through two private placements, one of which was for flow-through shares. As a part of the private placements the Company issued warrants to acquire 2,953,713 non-flow-through shares at exercise prices ranging from \$0.30 to \$0.50, and with expiry dates between September 2010 and October 2011. The flow-through funds will be used to fund the Company's exploration programs in British Columbia and the Yukon. During the quarter the Company also issued 600,000 common shares with a deemed value of \$150,000 in respect to the acquisition of interests in properties in northern British Columbia and the Dawson Mining District, Yukon. The Company also issued 100,000 common shares in respect of a subscription received in July 2009 but which only closed during the quarter.

(c) Stock Options

As at October 31, 2009, the following options were outstanding:

Expiry Date	Exercise Price	Number of shares
June 5, 2010	\$ 4.00	5,000
June 27, 2010	\$ 3.50	25,000
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
Total		<b>239,000</b>

On December 1, 2009 570,000 share options were issued with an exercise price of \$0.265 exercisable on or before December 1, 2014.

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## (d) Share purchase warrants

As at October 31, 2009, the following warrants were outstanding. Under certain conditions the exercise prices may change.

Expiry Date	Exercise Price	Number of Warrants
January 8, 2010	\$ 1.00	555,625
August 17, 2010	\$ 0.30	100,000
August 17, 2010	\$ 0.50	358,000
September 4, 2010	\$ 0.50	160,000
September 23, 2011	\$ 0.30 / 0.40 *	1,547,617
October 30, 2011	\$ 0.30 / 0.40 *	888,096
Total		<b>3,609,338</b>

\* where two prices are shown, the first applies for the first 12 months, the second for the subsequent 12 months