

**SOLOMON RESOURCES LTD.**

**Financial Statements (unaudited)**

**April 30, 2005**

# **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, CEO

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

	<b>April 30</b>	<b>July 31</b>
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$802,994	\$313,975
Accounts receivable	19,273	63,255
Prepaid expenses	32,000	11,000
	854,267	388,230
<b>Property and Equipment</b>	1	1
<b>Investments</b> (note 3)	35,887	88,867
<b>Tenement Bond</b>	1,359,825	1,359,825
<b>Investment in and Expenditures on Resources Properties</b> (notes 4)	3,394,072	2,849,434
	\$5,644,052	\$4,686,357
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$81,965	\$111,475
<b>Provision for Rehabilitation of Tenements</b>	954,548	954,548
	1,036,513	1,066,023
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 5)	21,720,669	20,191,349
<b>Contributed Surplus</b>	111,500	-
<b>Deficit</b>	(17,224,630)	(16,571,015)
	4,607,539	3,620,334
	\$5,644,052	\$4,686,357

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 Operation and Deficit**  
**Expressed in Canadian Dollars**  
**Unaudited**

	Three months ended April 30		Nine months ended April 30	
	2005	2004	2005	2004
<b>Revenues</b>				
Interest	\$ 16,911	\$ 11,615	\$ 47,259	\$ 34,854
Gas royalty	586	872	8,828	10,457
	<u>17,497</u>	<u>12,487</u>	<u>56,087</u>	<u>45,311</u>
<b>Expenses</b>				
Office and miscellaneous	17,499	27,192	94,330	74,332
Management fees	36,000	33,000	90,000	84,000
Stock based compensation	87,500	-	111,500	-
Professional fees	40,522	31,655	109,319	94,861
Rent and administrative services	7,500	7,500	22,500	25,000
Travel, promotion and shareholders' information	6,024	14,152	29,049	40,809
Stock exchange fees	10,175	2,950	14,970	8,430
Transfer agent fees	2,134	1,618	7,784	6,790
	<u>207,354</u>	<u>118,067</u>	<u>479,452</u>	<u>334,222</u>
<b>Loss from Operations</b>	<u>(189,857)</u>	<u>(105,580)</u>	<u>(423,365)</u>	<u>(288,911)</u>
<b>Other Items</b>				
Gain on sale of investment	48,970	53,631	321,876	450,721
Rehabilitation costs	(146,875)	-	(146,875)	-
Write-off of investment in and expenditures on resource properties	(19,977)	(44,031)	(405,251)	(181,294)
	<u>(117,882)</u>	<u>9,600</u>	<u>(230,250)</u>	<u>269,427</u>
<b>Net Income (Loss) for Period</b>	<u>(307,739)</u>	<u>(95,980)</u>	<u>(653,615)</u>	<u>(19,484)</u>
<b>Deficit, Beginning of Period</b>	16,916,891	6,749,372	16,571,015	16,825,868
<b>Deficit, End of Period</b>	<u>\$ 17,224,630</u>	<u>\$ 16,845,352</u>	<u>\$ 17,224,630</u>	<u>\$ 16,845,352</u>
<b>Income (Loss) Per Share</b>	<u>\$ (0.01)</u>	<u>\$ -</u>	<u>\$ (0.02)</u>	<u>\$ -</u>
<b>Weighted Average Number of Shares Outstanding</b>	<u>\$ 37,679,198</u>	<u>\$ 29,937,531</u>	<u>\$ 33,351,420</u>	<u>\$ 29,749,383</u>

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

	Three months ended April 30		Nine months ended April 30	
	2005	2004	2005	2004
<b>Operating Activities</b>				
Net income (loss)	\$(307,739)	\$(95,980)	\$ (653,615)	\$ (19,484)
Items not involving cash				
Write-off of investment in and expenditures on resource properties	19,977	44,031	405,251	181,294
Gain on sale of investments	(48,970)	(53,631)	(321,876)	(450,721)
Stock based compensation	87,500	0	111,500	0
<b>Operating Cash Outflow</b>	<b>(249,232)</b>	<b>(105,580)</b>	<b>(458,740)</b>	<b>(288,911)</b>
<b>Changes in Non-Cash Working Capital</b>				
Accounts payable and accrued liabilities	64,371	13,911	(29,510)	(36,839)
Prepaid expenses	(16,185)	0	(21,000)	(5,000)
Accounts receivable	30,639	(467,239)	43,982	(456,839)
	78,825	(453,328)	(6,528)	(498,678)
<b>Cash used in Operating activities</b>	<b>(170,407)</b>	<b>(558,908)</b>	<b>(465,268)</b>	<b>(787,589)</b>
<b>Financing Activities</b>				
Proceeds from common shares issued	1,085,320	30,000	1,085,320	112,167
<b>Investing Activities</b>				
Proceeds on sale of investments	48,970	74,431	374,856	562,045
Expenditures on resource properties	(300,090)	(155,163)	(505,889)	(364,610)
<b>Cash provided by Investing Activities</b>	<b>(251,120)</b>	<b>(80,732)</b>	<b>(131,033)</b>	<b>197,435</b>
<b>Inflow (Outflow) of Cash and Cash equivalents</b>	<b>663,793</b>	<b>(609,640)</b>	<b>489,019</b>	<b>(477,987)</b>
<b>Cash and cash equivalents, Beginning of Period</b>	<b>139,201</b>	<b>687,423</b>	<b>313,975</b>	<b>555,770</b>
<b>Cash and cash equivalents, End of Period</b>	<b>\$802,994</b>	<b>\$77,783</b>	<b>\$802,994</b>	<b>\$77,783</b>
<b>Non Cash Items</b>				
Shares used for property option payment	\$444,000	\$12,500	\$444,000	\$12,500
<b>Supplemental Information</b>				
Income tax paid	\$0	\$0	\$0	\$0
Interest paid	\$0	\$0	\$0	\$0

# **SOLOMON RESOURCES LTD.**

## **Notes to Financial Statements**

**April 30, 2005**  
**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 nine months ended April 30, 2005 are not necessarily indicative of the result that may be expected for the full year ending July 31, 2005.

These statements should be read in conjunction with the July 31, 2004 annual financial statements, including the accounting policies and notes thereto, included in the Annual Report for the year ended July 31, 2004. 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, 2004.

### **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 reported net income (losses) of \$254,853, \$(266,706) and \$(243,242 for the years ended July 31, 2004, 2003 and 2002, respectively, and has an accumulated deficit of approximately 17.2 million as at April 30, 2005. These recurring 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

April 30, 2005  
unaudited

### 3. Investments

	April 30, 2005			July 31, 2004		
	Number of shares	Market Value	Cost	Number of shares	Market Value	Cost
Quest Capital Corporation	0	0	0	100,000	\$147,000	\$45,000
Skeena Resources Ltd.	512,667	\$210,202	\$35,887	626,667	\$188,000	\$43,867
NovaGold Resources Ltd. (formerly SpectrumGold Inc.)	0	\$0	\$0	13,424	\$87,793	\$0
Viceroy Exploration Ltd.	29,370	\$99,858	\$0	54,370	\$58,720	\$0
		\$310,060	\$35,887		\$481,513	\$88,867

### 4. INVESTMENT AND EXPENDITURES ON RESOURCE PROPETIES

	Mongoli	Burkina Faso	Kalgoorlie Southeast Project	Anni	Metla	Othe	Tota
Balance July 31, 2004	\$	\$1	\$2,302,890	\$293,10	\$202,28	\$51,15	\$2,849,434
Addition	\$699,902	6,83	46,06	52,10	130,18	14,80	949,88
Wrtie-	0	(6,831)	0	0	(332,465)	(65,995)	(405,251)
Balance April 30, 2005	\$699,902	\$1	\$2,348,955	\$345,21	\$	\$0	\$3,394,072

### 5. CAPITAL STOCK

(a) Authorized  
Unlimited Common shares without par value

(b) Issued

	Number of shares	Amount
Balance, July 31, 2004	31,187,531	\$20,191,349
Private Placement	6,000,000	1,200,000
Share issue costs	-	(157,805)
Exercise options	150,000	22,500
Exercise warrants	82,500	20,625
Mongolian properties	1,200,000	444,000
	38,620,031	\$21,720,669

(c) Stock Options

As at April 30, 2005, the following options were outstanding:

Expiry Date	Exercise Price	Number of shares	
		April 30, 2005	July 31, 2004
March 30, 2006	\$0.20	250,000	250,000
June 6, 2007	\$0.30	0	200,000
November 12, 2007	\$0.15	850,000	1,000,000
December 20, 2009	\$0.17	200,000	0
March 3, 2010	\$0.36	1,100,000	0

# SOLOMON RESOURCES LTD.

## Notes to Financial Statements

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- (d) Share purchase warrants  
As at April 30, 2005, the following warrants were outstanding:

Expiry Date	Price	April 30, 2005	July 31, 2004
December 4, 2003 and December 4, 2004	\$0.20/\$0.30	0	333,333
June 25, 2005	\$0.25	417,500	500,000
June 25, 2005	\$0.30	19,500	19,500
February 10, 2006	\$0.30	3,000,000	0
February 10, 2006	\$0.20	825,000	0