

**SOLOMON RESOURCES LIMITED**

**Financial Statements (unaudited)**

**October 31, 2006**

# **SOLOMON RESOURCES LIMITED**

Suite 900 - 475 Howe Street  
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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>October 31</b>	<b>July 31</b>
	<b>2006</b>	<b>2006</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$241,264	\$302,857
Accounts receivable	21,831	31,648
Prepaid expenses	9,046	17,788
	272,141	352,293
<b>Property and Equipment</b>	1	1
<b>Investments</b> (note 3)	1,057,139	869,695
<b>Tenement Bond</b>	412,430	412,430
<b>Investment in and Expenditures on Resources Properties</b> (notes 4)	4,012,287	4,058,540
	\$5,753,998	\$5,692,959
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$44,943	\$32,304
<b>Provision for Rehabilitation of Tenements</b>	392,336	392,336
	437,279	424,640
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 5)	23,043,332	23,043,332
<b>Contributed Surplus</b>	536,650	530,650
<b>Deficit</b>	(18,263,263)	(18,305,663)
	5,316,719	5,268,319
	\$5,753,998	\$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**

For the three Months Ended  
October 31,

	2006	2005
<b>Revenues</b>		
Interest	\$4,930	\$18,834
Oil and gas, net	1,953	3,045
	6,883	21,879
<b>Expenses</b>		
Office and miscellaneous	32,153	20,325
Professional fees	77,394	78,645
Rent and administrative services	7,500	8,773
Promotion and shareholders' information	12,343	31,166
Stock exchange fees	1,243	1,000
Transfer agent fees	840	2,508
	131,473	142,417
<b>Loss from Operations</b>	(124,590)	(120,538)
<b>Other Items</b>		
Write down of investment	(117,824)	-
Gain on sale of investments	175,553	90,110
Recover of (write-off) of investment in and expenditures on resource properties	114,000	(6,129)
Loss on exchange	(4,739)	(44,108)
	166,990	39,873
<b>Net Income (Loss) for Period</b>	42,400	(80,665)
<b>Deficit, Beginning of Period</b>	18,305,663	17,579,471
<b>Deficit, End of Period</b>	\$18,263,263	\$17,660,136
<b>Income (Loss) Per Share</b>	\$0.00	\$(0.00)
<b>Weighted Average Number of Shares Outstanding</b>	44,160,836	40,521,531

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

Three months ended  
October 31,

	2006	2005
<b>Operating Activities</b>		
Net income (loss)	\$42,400	\$(80,665)
Items not involving cash		
Write-down of investment	117,824	-
Stock based compensation	6,000	-
(Recovery of) Write-off of investment in and expenditures on resource properties	(114,000)	6,129
Gain on sale of investments	(175,553)	(90,110)
<b>Operating Cash Outflow</b>	<b>(123,329)</b>	<b>(164,646)</b>
<b>Changes in Non-Cash Working Capital</b>		
Accounts payable and accrued liabilities	12,639	(51,658)
Prepaid expenses	8,742	-
Accounts receivable	9,817	(871,377)
	31,198	(923,035)
<b>Cash used in Operating activities</b>	<b>(92,131)</b>	<b>(1,087,681)</b>
<b>Financing Activities</b>		
Proceeds from common shares issued, net	-	625,983
<b>Investing Activities</b>		
Proceeds on sale of investments	208,285	90,110
Recovery of tenement provision	-	924,148
Expenditures on resource properties (net)	(177,747)	(358,822)
<b>Cash provided by Investing Activities</b>	<b>30,538</b>	<b>655,436</b>
<b>Inflow (Outflow) of Cash and Cash equivalents</b>	<b>(61,593)</b>	<b>193,738</b>
<b>Cash and cash equivalents, Beginning of Period</b>	<b>302,857</b>	<b>341,700</b>
<b>Cash and cash equivalents, End of Period</b>	<b>\$241,264</b>	<b>\$535,438</b>
<b>Non cash items</b>		
Investments received for property payments	\$338,000	\$451,632
<b>Supplemental Information</b>		
Income tax paid	\$0	\$0
Interest paid	\$0	\$0

# **SOLOMON RESOURCES LIMITED**

## **Notes to Financial Statements**

**October 31, 2006**  
**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, 2006 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 Limited 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 approximately \$18 million as at October 31, 2006. 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

October 31, 2006  
unaudited

### 3. Investments

	October 31, 2006			July 31, 2006		
	Number of shares	Market Value	Cost	Number of shares	Market Value	Cost
Integra Mining Ltd.	5,467,485	\$541,992	\$541,992	5,467,485	\$877,995	\$664,408
Brett Resources Inc.	400,000	320,000	228,000	200,000	150,000	114,000
Asia Gold Corp.	145,821	320,806	274,000	50,000	130,000	50,000
Skeena Resources Ltd.	112,667	58,587	7,747	512,667	148,673	35,887
Prospector Cons. Resources Ltd.	90,000	15,300	5,400	90,000	8,100	5,400
Maple Leaf Resorestation Ltd.	0	0	0	50,000	7,000	0
		\$1,256,685	\$1,057,139		\$303,703	\$41,287

### 4. INVESTMENT AND EXPENDITURES ON RESOURCE PROPERTIES

	Kalgoorlie Southeast Project	Mongolia Gallant	Mongolia SRM	BC Coal	EYAP Ontario	Total
Balance July 31, 2006	\$1,619,075	\$2,089,178	\$263,742	\$33,859	-	\$4,058,540
Additions	-	5,267	208,219	2,975	45,286	261,747
Option payments received						
Cash	-	(84,000)	-	-	-	(84,000)
Shares	-	(224,000)	-	-	-	(338,000)
Recovery of expenditures	-	-	-	-	-	114,000
Balance October 31, 2006	\$1,619,075	\$1,786,445	\$471,961	\$36,834	\$45,286	\$4,012,287

In the quarter the Company conducted an initial exploration program on the EYAP property. This secured the option to earn up to a 50% interest in the property as follows:

- On or before January 31, 2007 issue at the optionors' election either 100,000 shares of the Company and \$35,000 or 200,000 shares.
- On or before January 31, 2008 complete cumulative exploration of \$1,000,000 and at the optionors' election issue either 200,000 shares of the Company and \$35,000 cash or 400,000 shares.
- On or before January 31, 2009 complete cumulative exploration of \$2,000,000.

The Company can earn a further 10% interest in the property as follows:

- On or before January 31, 2009 issuing the optionors' 300,000 shares of the Company and \$100,000.
- On or before January 31, 2010 complete cumulative exploration of \$3,000,000.

# SOLOMON RESOURCES LIMITED

## Notes to Financial Statements

October 31, 2006

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### 5. CAPITAL STOCK

(a) Authorized  
unlimited Common shares without par value

(b) Issued

	Number of shares	Amount
Balance, July 31, 2006 and October 31, 2006	44,160,836	23,043,332

(c) Stock Options

As at October 31, 2006, 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

The fair value of the 50,000 options that vested in the quarter was \$6,000. It was based on the assumptions of an expected life of 4.5 years, a volatility of 92.1%, in interest, an interest rate of 4.3% and a dividend yield of 0.0%. The expense was charged to promotion and shareholder information.

(d) Share purchase warrants

As at October 31, 2006, the following warrants were outstanding:

Expiry date	Price	
September 22, 2007	\$0.50	963,000