

Sola Resource Corp.
(An Exploration Stage Company)

Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)
30 April 2010

Sola Resource Corp.
(An Exploration Stage Company)

Interim Consolidated Balance Sheets
(Expressed in Canadian Dollars)
(Unaudited)

	As at 30 April 2010 \$	As at 30 April 2009 \$	As at 31 January 2010 (Audited) \$
Assets			
Current			
Cash and cash equivalents (Note 3)	17,831	18,877	175,078
Amounts receivable (Note 4)	1,408	89,987	-
	19,239	108,864	175,078
Property, plant and equipment (Note 5)	7,176	11,094	8,155
	26,415	119,958	183,233
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 7)	2,835,146	2,835,110	2,802,945
Due to related parties (Note 8)	75,204	52,433	121,759
	2,910,350	2,887,543	2,924,704
Shareholders' deficiency			
Share capital (Note 9)			
Authorized			
Unlimited voting common shares without par value			
Issued and outstanding			
30 April 2010 – 147,521,992 common shares			
30 April 2009 – 120,802,436 common shares			
31 January 2010 – 144,901,992 common shares	33,662,198	34,236,094	33,531,198
Contributed surplus (Note 9)	3,902,518	2,214,065	3,808,039
Share subscriptions received in advance (Note 9)	-	69,372	-
Subscriptions receivable (Note 9)	-	(10,000)	-
Deficit	(40,448,651)	(39,277,116)	(40,080,708)
	(2,883,935)	(2,767,585)	(2,741,471)
	26,415	119,958	183,233

Nature and Continuation of Operations and Changes in Accounting Policies (Note 1), **Commitments** (Note 15), **Contingencies** (Note 16) and **Subsequent Events** (Note 19)

On behalf of the Board:

Director
William Pfaffenberger

Director
Andrew Male

The accompanying notes are an integral part of these interim consolidated financial statements.

Sola Resource Corp.
(An Exploration Stage Company)

Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit
(Expressed in Canadian Dollars)
(Unaudited)

	For the three month period ended 30 April 2010 \$	For the three month period ended 30 April 2009 \$
Expenses		
Mineral properties (Schedule 1)	237,526	263,624
General and administrative (Schedule 2)	<u>152,832</u>	<u>311,351</u>
Net loss and comprehensive loss before other item	(390,358)	(574,975)
Other item		
Write-down (discounted) of prior years invoices (Notes 7, 16 and 19)	<u>22,415</u>	<u>-</u>
Net loss and comprehensive loss for period	(367,943)	(574,975)
Deficit, beginning of period	<u>(40,080,708)</u>	<u>(38,702,141)</u>
Deficit, end of period	<u>(40,448,651)</u>	<u>(39,277,116)</u>
Basic and diluted loss per share	<u>(0.01)</u>	<u>(0.01)</u>
Weighted average number of common shares outstanding	<u>147,286,486</u>	<u>109,615,826</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

Sola Resource Corp.
(An Exploration Stage Company)
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the three month period ended 30 April 2010 \$	For the three month period ended 30 April 2009 \$
Cash flows used in operating activities		
Net loss for the period	(367,943)	(574,975)
Adjustments to reconcile loss to net cash used by operating activities		
Amortization of property, plant and equipment (Note 5)	979	979
Accrued interest (Note 8)	312	-
Issuance of common shares for mineral property (Notes 6 and 9)	131,000	-
Stock-based compensation (Note 10)	94,479	-
	<u>(141,173)</u>	<u>(573,996)</u>
Changes in operating assets and liabilities		
Increase in amounts receivable	(1,408)	(13,060)
Increase (decrease) in accounts payable and accrued liabilities	<u>(89,666)</u>	<u>342,292</u>
	<u>(232,247)</u>	<u>(244,764)</u>
Cash flows from financing activities		
Increase in due to related parties	75,000	-
Issuance of common shares for cash (Note 9)	-	954,565
Issuance of common shares to settle debts (Note 9)	-	45,435
Subscriptions receivable (Note 9)	-	(10,000)
Share subscriptions received in advance (Note 9)	<u>-</u>	<u>(850,194)</u>
	<u>75,000</u>	<u>139,806</u>
Decrease in cash and cash equivalents	(157,247)	(104,958)
Cash and cash equivalents, beginning of period	<u>175,078</u>	<u>123,835</u>
Cash and cash equivalents, end of period	<u>17,831</u>	<u>18,877</u>

Supplemental Disclosures with Respect to Cash Flows (Note 12)

The accompanying notes are an integral part of these interim consolidated financial statements.

Sola Resource Corp.
(An Exploration Stage Company)

Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

(Unaudited)

	Number of shares issued	Share capital \$	Contributed surplus \$	Share subscriptions received in advance / share subscriptions receivable \$	Deficit \$	Total shareholders' deficiency \$
Balance at 31 January 2009	99,501,045	33,236,094	2,214,065	919,566	(38,702,141)	(2,332,416)
Common shares issued for cash (\$0.05 per share) (Note 9)	19,091,300	954,565	-	-	-	954,565
Common shares issued for cash (\$0.05 per share) (Note 9)	18,500,800	925,040	-	-	-	925,040
Common shares issued for cash (\$0.05 per share) (Note 9)	3,000,000	150,000	-	-	-	150,000
Common shares issued for debt (\$0.05 per unit) (Notes 7, 9, 11 and 13)	908,700	45,435	-	-	-	45,435
Common shares issued for debt (\$0.05 per unit) (Notes 7, 9 and 13)	1,170,000	58,500	-	-	-	58,500
Common shares issued for service (\$0.05 per unit) (Notes 9 and 13)	1,301,391	65,070	-	-	-	65,070
Common shares issued for service (\$0.05 per unit) (Notes 9 and 13)	1,288,756	64,438	-	-	-	64,438
Common shares issued for service (\$0.05 per unit) (Notes 9 and 13)	140,000	7,000	-	-	-	7,000
Warrants granted (Note 9)	-	(1,520,159)	1,520,159	-	-	-
Share issue costs – cash	-	(6,910)	-	-	-	(6,910)
Share issue costs – shares	-	(43,624)	-	-	-	(43,624)
Share issue costs – warrants	-	(92,884)	-	-	-	(92,884)
Stock-based compensation (Note 10)	-	-	73,815	-	-	73,815
Subscriptions received in advance (Note 9)	-	-	-	(919,566)	-	(919,566)
Provision for flow-through liability (Notes 3, 7, 9, 13, 15, 16 and 19)	-	(311,367)	-	-	-	(311,367)
Net loss for the year	-	-	-	-	(1,378,567)	(1,378,567)
Balance at 31 January 2010	<u>144,901,992</u>	<u>33,531,198</u>	<u>3,808,039</u>	<u>-</u>	<u>(40,080,708)</u>	<u>(2,741,471)</u>

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Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)
(Unaudited)

	Number of shares issued	Share capital \$	Contributed surplus \$	Share subscriptions received in advance / share subscriptions receivable \$	Deficit \$	Total shareholders' deficiency \$
Balance at 31 January 2009	99,501,045	33,236,094	2,214,065	919,566	(38,702,141)	(2,332,416)
Common shares issued for cash (\$0.05 per unit) (Note 9)	19,091,300	954,565	-	-	-	954,565
Common shares issued for debt (\$0.05 per unit) (Notes 9, 11 and 12)	908,700	45,435	-	-	-	45,435
Common shares issued as finder's fee (Notes 9 and 12)	1,301,391	-	-	-	-	-
Subscriptions received in advance (Note 9)	-	-	-	(69,372)	-	(69,372)
Subscriptions receivable (Note 9)	-	-	-	10,000	-	10,000
Net loss for the period	-	-	-	-	(574,975)	(574,975)
Balance at 30 April 2009	<u>120,802,436</u>	<u>34,236,094</u>	<u>2,214,065</u>	<u>860,194</u>	<u>(39,277,116)</u>	<u>(1,966,853)</u>
Balance at 31 January 2010	144,901,992	33,531,198	3,808,039	-	(40,080,708)	(2,741,471)
Common shares issued for mineral property (\$0.05 per unit) (Notes 6, 9 and 12)	2,620,000	131,000	-	-	-	131,000
Stock-based compensation (Note 10)	-	-	94,479	-	-	94,479
Net loss for the period	-	-	-	-	(367,943)	(367,943)
Balance at 30 April 2010	<u>147,521,992</u>	<u>33,662,198</u>	<u>3,902,518</u>	<u>-</u>	<u>(40,448,651)</u>	<u>(2,883,935)</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

Sola Resource Corp.
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Schedule 1 – Interim Consolidated Summary of Mineral Properties Expenditures

(Expressed in Canadian Dollars)

(Unaudited)

	For the three month period ended 30 April 2010 \$	For the three month period ended 30 April 2009 \$
Operating expenses		
Administration	300	9,423
Camp and field expenditures	-	63,216
Geological and consulting	65,070	93,541
Professional and technical	39,825	97,444
Travel and accommodation	1,331	-
	<hr/>	<hr/>
	106,526	263,624
 Acquisition of mineral property interest		
	<hr/>	<hr/>
	131,000	-
	<hr/>	<hr/>
	237,526	263,624
	<hr/>	<hr/>

Details on Mineral Properties Expenditures (Note 6)

The accompanying notes are an integral part of these interim consolidated financial statements.

Sola Resource Corp.
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Schedule 2 – Interim Consolidated General and Administrative Expenses

(Expressed in Canadian Dollars)

(Unaudited)

	For the three month period ended 30 April 2010 \$	For the three month period ended 30 April 2009 \$
Administrative services	2,665	42,660
Amortization	979	979
Filing fees	6,720	200
Investor relations	16,471	25,678
Management fees (Note 11)	-	121,393
Office and miscellaneous	3,413	17,394
Legal and accounting	25,688	76,669
Rent	-	12,503
Shareholder communication	2,167	-
Stock-based compensation (Note 10)	94,479	-
Travel	250	13,875
	<hr/>	<hr/>
	152,832	311,351

The accompanying notes are an integral part of these interim consolidated financial statements.

Sola Resource Corp.
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Notes to Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

30 April 2010

1. Nature and Continuance of Operations and Changes in Accounting Policies

a. Nature and Continuance of Operations

Sola Resource Corp. (the “Company”) is incorporated under in the Province of Alberta, Canada and is in the exploration stage. The Company is in the business of acquiring and exploring mineral properties. The recoverability of the amounts expended by the Company on acquiring and exploring mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to complete the acquisition and/or development of the properties and upon future profitable production.

The accompanying interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Sola Exploracao Mineral Ltda., a company incorporated under the laws of Brazil.

The Company’s interim consolidated financial statements as at 30 April 2010 and for the three month period then ended have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has a loss of \$367,631 for the three month period ended 30 April 2010 (30 April 2009 - \$574,975) and has working capital deficiency of \$2,890,799 at 30 April 2010 (30 April 2009 - \$2,778,679, 31 January 2010 - \$2,749,626).

Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. However, based on its prior demonstrated ability to raise capital, management believes that the Company’s capital resources should be adequate to continue operating and maintain its business strategy during fiscal 2011. However, if the Company is unable to raise additional capital in the near future, due to the Company’s liquidity problems, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. These interim consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

b. Changes in Accounting Policies

Effective 1 February 2010, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections 1582 “*Business Combinations*”, 1601 “*Consolidated Financial Statements*” and 1602 “*Non-controlling Interests*” which replace CICA Handbook Sections 1581 “*Business Combinations*” and 1600 “*Consolidated Financial Statements*”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after 1 February 2011. Section 1601, together with Section 1602, establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning 1 February 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The adoption of these Sections did not have a significant impact on the Company’s interim consolidated financial statements.

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2. Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of these interim consolidated financial statements.

Basis of presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

Principles of consolidation

The interim consolidated financial statements include the assets, liabilities and results of operations of all entities controlled by the Company. The effects of transactions between entities in the consolidated group are eliminated. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of loss and deficit from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized over their estimated useful lives on a declining balance basis at the following annual rates, with half the rate being applied in the year of acquisition:

Computer equipment	30%
Vehicle	30%

Mineral properties and deferred exploration costs

Mineral exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively to develop the property are capitalized as incurred and are depreciated using the unit-of-production depreciation method over the estimated life of the ore body based on proven and probable reserves.

Major development costs incurred after the commencement of production are capitalized as incurred and are depreciated using the unit-of-production depreciation method based on proven and probable reserves.

Ongoing development expenditures to maintain production are charged to operations as incurred. Mineral property and deferred exploration costs are currently charged to operations as incurred since the Company has not met the criteria for deferral of acquisition and development costs under Canadian GAAP.

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Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Title to mineral properties

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has diligently investigated rights of ownership of all of the mineral concessions in which it has an interest or an option and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. The concessions may be subject to prior claims and agreements, transfers and rights of ownership may be affected by undetected defects.

Reclamation costs

The Company's policy for recording reclamation costs is to record a liability for the estimated costs to reclaim mined land by recording charges to production costs for each tonne of ore mined over the life of the mine. The amount charged is based on management's estimation of reclamation costs to be incurred. The accrued liability is reduced as reclamation expenditures are made. Certain reclamation work is performed concurrently with mining and these expenditures are charged to operations at that time.

Mining exploration costs

The Company measures its exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs in accordance with the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board ("AcSB") EIC Abstract 174, "*Mining Exploration Costs*". The guidance is applicable to fiscal periods ending after the issuance date.

Impairment of long-lived assets

The Company reviews and evaluates its long-lived assets for impairment when events or circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on the estimated fair value of the assets. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between significant assumptions used and actual market conditions and/or the Company's performance could have a material effect on the Company's financial position and results of operations.

Flow-through common shares

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfers the income tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to share capital and the related exploration costs have been charged to exploration properties and deferred exploration expenditures.

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The Company follows the recommendations of the EIC of the CICA with respect to flow-through shares, as outlined in EIC 146. The application of EIC 146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made. The recommendations apply to all flow-through share transactions initiated after 19 March 2004.

Asset retirement obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or may incur a gain or loss.

Goodwill and other intangible assets

Effective 1 February 2009, the Company adopted the CICA Handbook Section 3064, "*Goodwill and Other Intangible Assets*". The new requirements of Section 3064 are for recognition, measurement, presentation and disclosure. Section 3064 replaces Section 3062, "*Goodwill and Other Intangible Assets*". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

Credit risk and the fair value of financial assets and financial liabilities

Effective 1 February 2009, the Company adopted the EIC Abstract 173, "*Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*", which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 should be applied retrospectively without restatement of prior years to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after 20 January 2009.

Stock-based compensation

Effective 1 February 2002, the Company adopted, on a prospective basis, the provisions of Section 3870, "*Stock-Based Compensation and Other Stock Based Payments*", of the CICA Handbook ("Section 3870"). Section 3870 establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments to both employees and non-employees. Section 3870 recommends that certain stock-based transactions, such as the grant of stock options, be accounted for at fair value. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the granted date. Any consideration received from the exercise of stock options is credited to share capital. This section is only applicable to transactions that occurred on or after 1 February 2002.

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Loss per share

Basic loss per share is calculated based on the weighted average number of shares outstanding during the period. The treasury stock method is used for determining the dilutive effect of options and warrants issued in calculating diluted earnings per share. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Income taxes

Future income tax assets and liabilities are determined based on temporary differences between the accounting and the tax bases of the assets and liabilities and for loss carry forwards, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is not more likely than not that the asset will be realized. As at 30 April 2010, the Company's net future income tax assets are fully offset by a valuation allowance.

Use of estimates

The preparation of interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from these estimates.

Foreign currency translation

Revenue and expenses are translated at the exchange rates prevailing at the transaction dates. Transaction amounts denominated in foreign currencies are translated into functional currency at exchange rates prevailing at transaction dates.

Values

The amounts shown for mineral properties and for deferred exploration costs represent costs to date, and do not necessarily represent present or future values, as they are entirely dependent upon the economic recovery of future reserves.

Comparative figures

Certain comparative figures have been adjusted to conform to the current period's presentation.

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Recent Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

In February 2008 the AcSB confirmed that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after 1 January 2011. The transition date of 1 January 2011 will require the restatement for comparative purposes of amounts reported by the Company for the years ended 31 January 2011 and 2010. The Company’s first mandatory filing under IFRS will contain IFRS-compliant information on a comparative basis, as well as reconciliations for the period end and the transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Company has developed the framework of a plan for IFRS convergence and has started the implementation process. Detailed analysis of the differences between IFRS and the Company’s accounting policies and assessment of the various alternatives for first time adoption of IFRS are in progress. Management’s assessment to date indicates that there will be revisions to the Company’s disclosures on adoption of IFRS, but there will be no major financial impact or accounting policy or procedural changes. However, it is recognized that the IFRS requirements, in particular related to the mining industry, are evolving, and such changes may alter this preliminary assessment.

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, “*Business Combinations*”, which replaces Section 1581, “*Business Combinations*”, and provides the equivalent to IFRS 3, “*Business Combinations*” (January 2008). The new Section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination.

The new Section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the equity interest in the acquirer is owned at the acquisition date. The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price.

Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2011. Earlier adoption is permitted. This new Section will only have an impact on the consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

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Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1601, “*Consolidated Financial Statements*” and Section 1602, “*Non-Controlling Interests*”, which together replace Section 1600, “*Consolidated Financial Statements*”. These two Sections are the equivalent to the corresponding provisions of International Accounting Standard 27, “*Consolidated and Separate Financial Statements*” (January 2008). Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new Sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders’ equity.

Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after 1 January 2011, and should be adopted concurrently with Section 1582. The Company is currently assessing the future impact of these new Sections on its consolidated financial statements.

3. Restricted Cash and Cash Equivalents

A total of \$Nil of the Company’s cash and cash equivalents at 30 April 2010 (30 April 2009 - \$123,835, 31 January 2010 - \$Nil) relates to proceeds from the issuance of flow-through shares and is restricted to future expenditures on Canadian mineral property operating expenditures (Notes 7, 15 and 16).

4. Amounts Receivable

Amounts receivable consist of Goods and Services Tax receivable of \$695 (30 April 2009 - \$89,987, 31 January 2010 - \$Nil), and are non-interest bearing, unsecured and have settlement dates within one year.

5. Property, Plant and Equipment

	Cost	Accumulated amortization	Net Book Value		As at 31 January 2010 (Audited)
			As at 30 April 2010	As at 30 April 2009	
	\$	\$	\$	\$	\$
Computer equipment	7,899	6,829	1,070	2,057	1,317
Vehicle	33,508	27,402	6,106	9,037	6,838
	<u>41,407</u>	<u>34,231</u>	<u>7,176</u>	<u>11,094</u>	<u>8,155</u>

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During the three month period ended 30 April 2010, the total additions of the Company to property, plant and equipment were \$Nil (30 April 2009 - \$Nil, 31 January 2010 - \$Nil).

6. Mineral Properties

Manganese Property, Brazil

On 18 February 2009, the Company entered into an option agreement to acquire an 80% interest a Manganese Property located in the Rondonia, province of Brazil (the "Manganese Property"). The Company paid US\$125,000 (CDN\$155,415) pursuant to the terms of the option agreement and is required to pay an additional US\$575,000 and issue 8,000,000 common shares within 90 days after obtaining a production permit. The Company can acquire the remaining 20% interest in the Manganese Property upon payment of US\$20,000,000 at the Company's discretion (Note 15).

Expenditures related to the Manganese Property for the three month periods ended 30 April 2010 and 2009 can be summarized as follows:

	2010	2009
	\$	\$
Operating expenses		
Geological and consulting	65,070	-
Professional and technical	39,825	-
Travel and accommodation	1,331	-
	<u>106,226</u>	<u>-</u>

Dash Claims, British Columbia

On 8 June 2009, the Company signed an agreement for an option to purchase 100% of a property showing potential for the discovery of gold deposits in British Columbia (the "Dash Claims") with Fundamental Resources Corp. ("FRC"), a company controlled by a director and officer of the Company. The Dash Claims is located 105 kilometers northwest of Lillooet, British Columbia.

The terms of the proposed option are that the Company will complete a \$950,000 exploration and drilling project over a two-year period. If the option is completed, FRC would receive 8,300,000 million common shares of the Company, in stages, and acquire an overriding 2% NSR, according to the following schedule:

- a. To acquire the initial 25% of the whole undivided right, title and interest, the Company must incur \$300,000 of exploration expenditures and issue 2,620,000 common shares on or before 8 February 2010 (Notes 9, 11 and 12) (completed);
- b. To acquire a further 24% of the whole undivided right, title and interest, the Company must incur \$300,000 of exploration expenditures and issue 2,620,000 common shares on or before 8 October 2010; and

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- c. To acquire the final 51% of the whole undivided right, title and interest, the Company must incur \$350,000 of exploration expenditures and issue 3,060,000 common shares on or before 8 June 2011.

This option agreement was approved by TSX Venture Exchange on 24 August 2009 (Note 15).

Expenditures related to the Dash Claims for the three month periods ended 30 April 2010 consist of administration of \$300 (30 April 2009 - \$Nil) and option agreement of \$131,000 (30 April 2009 - \$Nil).

Bantu Property, Brazil

During the year ended 31 January 2005, the Company entered into an option and joint venture agreement with Bantu Mineracao Ltda. (“Bantu”) to acquire an 80% undivided interest in certain mineral claims located in the Rondonia, province of Brazil (the “Bantu Property”) for cash payments of US\$184,260 (paid) and the issuance of 1,500,000 common shares (issued) of the Company.

Bantu is the operator of the Bantu Property and the Company must fund all mineral property costs of the Bantu Property until the Company acquires its 80% interest in the Bantu Property.

When the Company acquires its 80% interest in the Bantu Property, a joint venture (the “Bantu Joint Venture”) is to be created whereby the Company and Bantu have 80% and 20% participating interests respectively.

Upon creation of the Bantu Joint Venture, Bantu shall assign to the Bantu Joint Venture 80% of its interest to acquire 80% undivided interests in the following mineral properties:

a. Almir Property, Brazil

The Bantu Joint Venture shall have the option to acquire an 80% interest in certain mineral claims located in the Rondonia, province of Brazil (the “Almir Property”) for cash proceeds of US\$2,000,000 to be paid by the Company as follows (the “Almir Property Agreement”):

- US\$500,000 (paid);
- US\$250,000 on 16 March 2006 (paid); and
- US\$1,250,000 on 16 March 2007.

As of 9 March 2007, the Almir Property Agreement has been amended such that the payment schedule is as follows:

- US\$300,000 by 23 March 2007 (paid);
- US\$100,000 on 24 April 2007 (paid)
- US\$100,000 on 24 May 2007 (paid);
- US\$100,000 on 24 June 2007 (paid); and
- US\$600,000 on 23 November 2007 (paid).

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b. Paulo Property, Brazil

The Bantu Joint Venture shall have the option to acquire an 80% interest in certain mineral claims located in the Rondonia, province of Brazil (the “Paulo Property”) for cash proceeds of US\$140,000 to be paid by the Company as follows:

- US\$80,000 on 14 July 2005 (paid); and
- US\$60,000 to be paid in monthly installments of US\$5,000 beginning 12 October 2005 (paid).

Expenditures related to the Bantu Property for the three month periods ended 30 April 2010 and 2009 can be summarized as follows:

	2010	2009
	\$	\$
Operating expenses		
Administration	-	9,423
Camp and field expenditures	-	63,216
Geological and consulting	-	93,541
Professional and technical	-	97,444
	<hr/>	<hr/>
	-	263,624
	<hr/>	<hr/>

MacKay Lake Diamond Property - MacKay Lake, Northwest Territories

On 7 February 2008, the Company entered into an option agreement with Diamond Hawk Mining Corp. (“Diamond Hawk”) whereby the Company can earn up to a 70% interest in Diamond Hawk’s MacKay Lake Diamond Property by making a cash payment of \$50,000 (paid), incurring development expenditures of \$1,000,000 (\$6,000 incurred) and making a cash payment of \$500,000 in the first and second years respectively (not paid).

On 17 May 2009, the Company entered into an amending agreement with Diamond Hawk related to the MacKay Lake Property whereby the Company:

- Must expend \$500,000 on or before 31 December 2009 (not completed);
- Has until 30 June 2010 to earn its initial 60% interest; and
- Has until 30 June 2011 to earn a further 10% interest.

During the year ended 31 January 2010, the Company abandoned the MacKay Lake Diamond Property.

The Company had no expenditures related to the MacKay Lake Diamond Property for the three month periods ended 30 April 2010 and 2009.

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Yamba Lake, Canada

The Company, Tanqueray Resources Ltd. (“Tanqueray”) and Mill City International Inc. (“Mill City”) jointly hold a 51% undivided interest in certain mineral claims located in the McKenzie Mining District, Northwest Territories, Canada (the “Yamba Lake Property”). The Company has no outstanding capital commitments on the Yamba Lake Property. The Company and its joint interest partners have no plans to commit to exploration on Yamba Lake Property in the near future.

The Company had no expenditures related to the MacKay Lake Diamond Property for the three month periods ended 30 April 2010 and 2009.

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are non-interest bearing, unsecured and have settlement dates within one year.

Included in accounts payable and accrued liabilities at 30 April 2010 is \$92,018 (30 April 2009 - \$Nil, 31 January 2010 - \$92,018) related to Part XII.6 tax on unspent funds raised by the Company on flow-through share offerings (Notes 3, 15 and 16).

Included in accounts payable and accrued liabilities at 30 April 2010 is \$311,367 (30 April 2009 - \$Nil, 31 January 2010 - \$311,367) related to the estimated costs to the Company for amending its flow-through filings (Notes 3, 15 and 16).

Included in accounts payable and accrued liabilities as at 30 April 2010 are mineral property expenses of \$1,929,123 (30 April 2009 - \$2,318,566, 31 January 2010 - \$1,929,123). The majority of the payables are to a vendor and are in dispute (Notes 12 and 19).

Included in accounts payable and accrued liabilities as at 30 April 2010 is a balance due to a former officer and director of the Company of \$69,569 (30 April 2009 - \$49,623, 31 January 2010 - \$69,569).

Included in accounts payable and accrued liabilities as at 30 April 2010 is a balance due to a former officer and director of the Company of \$52,299 (30 April 2009 - \$3,007, 31 January 2010 - \$52,299).

During the year ended 31 January 2010, the Company wrote off accounts payable balances in the amount of \$224,386 related primarily to its prior business that had remained unpaid for several years without any claims being made by these creditors against the Company. During the three month period ended 30 April 2010, the Company has also negotiated reductions in accounts payable related to prior year invoices in the amount of \$22,415. Management does not consider that these amounts are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these balances in the future (Notes 12, 16 and 19).

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8. Due to Related Parties

Amounts due to/from related parties are due to/from individuals or companies controlled by individuals who are shareholders, directors and/or former directors of the Company and are non-interest bearing, unsecured and have no fixed terms of repayment.

As at 30 April 2010, balance due to related parties includes \$75,000 due to a director of the Company. The loan bears interest at 6% per annum, is unsecured and is due on demand. During the three month period ended 30 April 2010, the Company accrued interest expense of \$312 (30 April 2009 - \$Nil). The balance as at 30 April 2010 consists of principal and accrued interest of \$75,000 (30 April 2009 - \$Nil, 31 January 2010 - \$Nil) and \$312 (30 April 2009 - \$Nil, 31 January 2010 - \$Nil), respectively (Notes 11 and 12).

9. Share Capital

Authorized capital stock consists of unlimited voting common shares with no par value. At 30 April 2010, 147,521,992 common shares are issued and outstanding.

Capital stock transactions of the Company during the three month periods ended 30 April 2010 and 2009 are summarized as follows:

- i. On 13 April 2010, the Company issued 7,700,000 stock options pursuant to its stock option plan. Each stock option entitles the holder to purchase a common share at a price of \$0.10 up to 12 April 2015. As at 30 April 2010, all of the related stock options in this series remain outstanding (Note 10).
- ii. On 24 March 2010, a total of 21,301,391 share purchase warrants and agent compensation warrants with an exercise price of \$0.15 expired.
- iii. On 8 March 2010, 40,000 agent compensation warrants with an exercise price of \$0.25 expired.
- iv. On 22 February 2010, 800,000 stock options with an exercise price of \$0.30 expired.
- v. On 8 February 2010, the Company issued 2,620,000 common shares valued at a price of \$0.05 per share pursuant to the Dash Option Agreement dated 8 June 2009 (Notes 6, 11 and 12).
- vi. On 18 April 2009, a total of 266,667 stock options exercisable at a price of \$0.30 per common share expired.
- vii. On 5 April 2009, a total of 514,400 agent compensation warrants exercisable at a price of \$0.25 per common share expired.
- viii. On 5 April 2009, a total of 10,484,000 share purchase warrants exercisable at a price of \$0.40 per common share expired.

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- ix. On 24 March 2009, the Company issued 1,301,391 units at a price of \$0.05 per unit for services rendered by private placement agent. Each unit consists of one common share and one non-transferable share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.15 up to 24 March 2010 (Note 12).
- x. On 24 March 2009, the Company issued 908,700 units at a price of \$0.05 per unit for related party debt of \$45,435. Each unit consists of one common share and one non-transferable share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.15 up to 24 March 2010. As at 30 April 2010, none of the related share purchase warrants in this series remain outstanding (Note 12).
- xi. On 24 March 2009, the Company issued 19,091,300 units at a price of \$0.05 per unit. Each unit consists of one common share and one non-transferable share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.15 up to 24 March 2010. As at 30 April 2010, none of the related share purchase warrants in this series remain outstanding.
- xii. On 2 March 2009, the Company filed its flow-through filings related to the issuance of flow-through shares during the year ended 31 January 2009.
- xiii. On 23 February 2009, a total of 514,000 agent compensation warrants exercisable at a price of \$0.50 per common share expired.
- xiv. On 23 February 2009, a total of 2,637,857 share purchase warrants exercisable at a price of \$0.50 per common share expired.

Subscriptions receivable

Subscriptions receivable consist of \$Nil (30 April 2009 - \$10,000, 31 January 2010 - \$Nil) cash not yet received by the Company for Nil common shares (30 April 2009 - 200,000, 31 January 2010 - Nil) that were issued during the three month period ended 30 April 2010.

Subscriptions received in advance

Subscriptions received in advance consist of \$Nil (30 April 2009 - \$69,372, 31 January 2010 - \$Nil) cash received by the Company for Nil (30 April 2009 - 1,387,440, 31 January 2010 - Nil) common shares that were not yet issued at 30 April 2010.

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the discounted market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest immediately.

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The following incentive stock options were outstanding at 30 April 2010:

	Exercise price \$	Number of options	Remaining contractual life (years)
Options	0.10	2,150,000	0.46
	0.28	1,000,000	0.82
	0.10	2,100,000	4.38
	0.10	<u>7,700,000</u>	4.94
		<u>12,950,000</u>	

The following is a summary of the Company's stock option activities for the three month periods ended 30 April 2010 and 2009:

	Number of options	Weighted average exercise price \$
Outstanding and exercisable at 1 February 2009	9,716,667	0.26
Granted	-	-
Exercised	-	-
Expired	<u>(266,667)</u>	0.21
Outstanding and exercisable at 30 April 2009	<u>9,450,000</u>	<u>0.26</u>
Weighted average fair value of options granted during the period		<u>-</u>
Outstanding and exercisable at 1 February 2010	6,050,000	0.16
Granted	7,700,000	0.10
Exercised	-	-
Expired	<u>(800,000)</u>	0.30
Outstanding and exercisable at 30 April 2010	<u>12,950,000</u>	<u>0.11</u>
Weighted average fair value of options granted during the period		<u>0.03681</u>

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Warrants and agent compensation warrants

The following share purchase warrants and agent compensation warrants were outstanding at 30 April 2010:

	Exercise price \$	Number of warrants	Remaining contractual life (years)
Warrants	0.15	19,670,800	1.32
Agent compensation warrants	0.15	1,288,756	1.32
Warrants	0.10	3,000,000	4.69
Agent compensation warrants	0.10	<u>140,000</u>	4.69
		<u>24,099,556</u>	

The following is a summary of the Company's warrant activities for the three month periods ended 30 April 2010 and 2009:

	Number of warrants	Weighted average exercise price \$
Outstanding and exercisable at 1 February 2009	23,273,678	0.41
Granted	21,301,391	0.15
Exercised	-	-
Expired	<u>(14,150,257)</u>	0.42
Outstanding and exercisable at 30 April 2009	<u>30,424,812</u>	<u>0.23</u>
Weighted average fair value of warrants granted during the period		<u>0.03619</u>
Outstanding and exercisable at 1 February 2010	45,440,947	0.15
Granted	-	-
Exercised	-	-
Expired	<u>(21,341,391)</u>	0.15
Outstanding and exercisable at 30 April 2010	<u>24,099,556</u>	<u>0.14</u>
Weighted average fair value of warrants granted during the period		<u>-</u>

The weighted average grant date fair value of warrants issued during the three month period ended 30 April
(22)

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2010, amounted to \$Nil per warrant (30 April 2009 - \$0.03619). The fair value of each warrant granted was determined using the Black-Scholes warrant pricing model and the following weighted average assumptions:

	2010	2009
Risk free interest rate	-	0.62%
Expected life	-	1 year
Annualized volatility	-	223.52%
Expected dividends	-	-

10. Stock-Based Compensation

During the three month period ended 30 April 2010 the Company granted 7,700,000 stock options (30 April 2009 - Nil) (Note 9).

The following assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	2010	2009
Risk free interest rate	2.79%	-
Expected life	5 years	-
Annualized volatility	171.77%	-
Expected dividends	-	-

11. Related Party Transactions

During the three month period 30 April 2010, the Company entered into the following transactions with related parties:

- i. Paid/accrued management fees of \$Nil (30 April 2009 – \$15,000) for administrative services to a company controlled by a former officer and director of the Company
- ii. Paid/accrued fees of \$114,734 (30 April 2009 - \$Nil) for services to a company controlled by an officer and director of the Company.
- iii. Issued Nil unit (30 April 2009 - 908,700) at a price of \$Nil per unit (30 April 2009 - \$0.05) for related party debt of \$Nil (30 April 2009 - \$45,435).
- iv. Issued 2,620,000 common shares to a company controlled by a director and officer of the Company, valued at a price of \$0.05 per share pursuant to the Dash Option Agreement (Notes 6, 9 and 12).

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- v. During the three month period ended 30 April 2010, the Company received a \$75,000 loan from the director of the Company, who has agreed to financially support the actions and activities of the Company on a continuing basis. The loan bears interest at 6% per annum, is unsecured and is due on demand. This amount is included in the balance due to related parties as at 30 April 2010. During the three month period ended 30 April 2010, the Company accrued interest expense of \$312 (30 April 2009 - \$Nil). The balance as at 30 April 2010 consists of principal and accrued interest of \$75,000 (30 April 2009 - \$Nil, 31 January 2010 - \$Nil) and \$312 (30 April 2009 - \$Nil, 31 January 2010 - \$Nil), respectively (Notes 8 and 12).

The amounts charged to the Company for the services provided have been determined by negotiation among the parties, and in certain cases, are covered by signed agreements. It is the position of the management of the Company that these transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

12. Supplemental Disclosures with Respect to Cash Flows

	For the three month period ended 30 April 2010 \$	For the three month period ended 30 April 2009 \$
Cash paid during the year for interest	-	-
Cash paid during the year for income taxes	-	-

Included in accounts payable and accrued liabilities as at 30 April 2010 are mineral property expenses of \$1,929,123 (30 April 2009 - \$2,318,566, 31 January 2010 - \$1,929,123). The majority of the payables are to a vendor and are in dispute (Notes 7 and 19).

During the three month period ended 30 April 2010, the Company issued 2,620,000 common shares to a company controlled by a director and office of the Company, valued at a price of \$0.05 per share pursuant to the Dash Option Agreement (Notes 6, 9 and 11).

During the three month period ended 30 April 2010, the Company has accrued a charge against capital stock and recorded a payable amount of \$Nil (30 April 2009 - \$Nil, 31 January 2010 - \$311,367) as the estimated costs to the Company for amending its flow-through filings (Notes 3, 15 and 16).

During the three month period ended 30 April 2010, the Company accrued interest expense of \$312 (30 April 2009 - \$Nil) (Notes 8 and 11).

During the year ended 31 January 2010, the Company wrote off accounts payable balances in the amount of \$224,386 related primarily to its prior business that had remained unpaid for several years without any claims being made by these creditors against the Company. During the three month period ended 30 April 2010, the Company has also negotiated reductions in accounts payable related to prior year invoices in the amount of \$22,415.

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Management does not consider that these amounts are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these balances in the future (Notes 7, 16 and 19).

During the three month period ended 30 April 2009, the Company issued 1,301,391 units at a price of \$0.05 per unit as consideration for payment for services rendered by a private placement agent. Each unit consists of one common share and one non-transferable share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.15 up to 24 March 2010 (Note 9).

During the three month period ended 30 April 2009, the Company issued 908,700 units at a price of \$0.05 per unit for related party debt of \$45,435. Each unit consists of one common share and one non-transferable share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.15 up to 24 March 2010 (Note 9).

13. Income Taxes

As at 30 April 2010, the Company had available for deduction against future taxable income, non-capital losses of approximately \$8,405,000. The potential income tax benefit of these losses has been offset by a full valuation allowance. These losses, if unutilized will expire at various dates through to the taxation year ending 2031.

Additionally, the Company has approximately \$27,821,000 of development expenses and exploration expenditures as at 30 April 2010 which, under certain circumstances, may be utilized to reduce taxable income of future years. The potential income tax benefits of these losses have been offset by a full valuation allowance.

14. Segmented Information

The Company operates in one business segment which is the exploration of mineral properties.

The Company's identifiable assets are located in Canada.

15. Commitments

The Company has the following commitments as at 30 April 2010:

- a. The Company has outstanding and future commitments related to mineral property option agreements (Note 6).
- b. The Company has certain obligations related to the amendment of its flow-through filings (Notes 3, 7 and 16).

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16. Contingencies

Under the terms of the subscription agreements related to the issuance of 3,463,330 commons shares of the Company on 14 April 2008, the Company is restricted to spending the total proceeds of \$1,038,999 from these flow-through shares on Canadian mineral property expenditures and such expenditures must be made by 31 December 2009. At 30 April 2010, the Company had spent \$705,658 (30 April 2009 - \$Nil) of these expenditures. The Company has current and future obligations related to the issuance of flow-through shares (Notes 3, 12 and 15).

During the year ended 31 January 2010, the Company wrote off accounts payable balances in the amount of \$224,386 related primarily to its prior business that had remained unpaid for several years without any claims being made by these creditors against the Company. During the three month period ended 30 April 2010, the Company has also negotiated reductions in accounts payable related to prior year invoices in the amount of \$22,415. Management does not consider that these amounts are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these balances in the future (Notes 7, 12 and 19).

17. Capital Disclosure

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus, warrants, share subscription received in advance, subscriptions receivable, deficits and accumulated other comprehensive income. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank sponsored instruments. This strategy is unchanged from fiscal 2010.

18. Financial Instruments

Fair Values

As at 30 April 2010, the Company's carrying values of cash and cash equivalents, amounts receivable, accounts payable and due to related parties approximate their fair values due to their short term maturity.

The following is a summary of the accounting model the Company elected to apply to each of its significant categories of financial instruments:

Cash and cash equivalents	Held-for-trading
Accounts payable.....	Other liabilities

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Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are netted against the fair value of the financial instrument on initial recognition, with the exception of transaction costs related to financial instruments that are classified as held-for-trading. Transaction costs related to held-for-trading financial instruments are expensed as incurred.

The CICA Handbook Section 3862, "*Financial Instruments – Disclosures*" requires disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of financial instruments carried on the balance sheet at fair value. The three levels are defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash would be Level 1 fair value.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

19. Subsequent Events

The following events occurred from the date of the three month period ended 30 April 2010 to the date the interim consolidated financial statements were available to be issued on 29 June 2010:

1. On 25 May 2010, the Company reported that it has signed a Non-Binding Memorandum of Understanding ("MOU") to purchase 50% of Rio Madeira Comercio Importacao E Exportacao De Minerios ("Rio Madeira").
2. On 2 June 2010, the Company announced that it has commenced an in depth due diligence process of Rio Madeira and its corporate position. Alongside this is the drafting and review of the definitive agreements needed to establish this new partnership. It is proposed that the Company will be purchasing 50% of the share capital of Rio Madeira, a Manganese production company and facility in Brazil.
3. On 7 June 2010, the Company announced that it had commenced its geotechnical review of the twenty claims comprising 84,530 hectares controlled by Rio Madeira. These are properties that Rio Madeira has identified as being Manganese bearing and geographically relative to their operations.
4. The Company continues the process of attempting to reconcile and obtain acceptable documentation to settle accounts payable with a face value of approximately \$2,000,000 for a reduced amount (Notes 7, 12 and 16).