

Sola Resource Corp.
(An Exploration Stage Company)

Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)
31 July 2009

Sola Resource Corp.
(An Exploration Stage Company)

Interim Consolidated Balance Sheets

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	As at 31 July 2009 \$	As at 31 July 2008 \$	As at 31 January 2009 (Audited) \$
Assets			
Current			
Cash and cash equivalents (Note 3)	110,502	264,530	123,835
Amounts receivable (Note 4)	92,900	18,260	76,926
Prepaid expenses	-	1,904,527	-
	<u>203,402</u>	<u>2,187,317</u>	<u>200,761</u>
Property, plant and equipment (Note 5)	<u>10,114</u>	<u>14,659</u>	<u>12,072</u>
	<u>213,516</u>	<u>2,201,976</u>	<u>212,833</u>
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 7)	2,530,007	736,374	2,492,816
Due to related parties (Note 8)	52,433	68,857	52,433
	<u>2,582,440</u>	<u>805,231</u>	<u>2,545,249</u>
Shareholders' equity (deficiency)			
Capital stock (Note 9)			
Authorized			
Unlimited voting common shares without par value			
Issued and outstanding			
31 July 2009 – 120,802,436 common shares			
31 July 2008 – 95,533,512 common shares			
31 January 2009 – 99,501,045 common shares	34,236,094	32,877,060	33,236,094
Contributed surplus	2,214,065	1,549,016	2,214,065
Warrants (Note 9)	-	340,237	-
Share subscriptions received in advance (Note 9)	876,068	415,000	919,566
Subscriptions receivable (Note 9)	-	(39,000)	-
Deficit	<u>(39,695,151)</u>	<u>(33,745,568)</u>	<u>(38,702,141)</u>
	<u>(2,368,924)</u>	<u>1,396,745</u>	<u>(2,332,416)</u>
	<u>213,516</u>	<u>2,201,976</u>	<u>212,833</u>

Nature and Continuance of Operations (Note 1), **Commitments** (Note 15), **Contingency** (Note 16) and **Subsequent Events** (Note 18)

On behalf of the Board:

/s/ William Pfaffenberger Director
 William Pfaffenberger

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 – Prepared by Management)

	For the three month period ended 31 July 2009 \$	For the three month period ended 31 July 2008 \$	For the six month period ended 31 July 2009 \$	For the six month period ended 31 July 2008 \$
Expenses				
Mineral properties expenditures (Schedule 1)	320,000	164,164	598,624	933,665
General and administrative (Schedule 2)	98,035	225,860	394,386	968,501
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net loss and comprehensive loss for the period	(418,035)	(390,024)	(993,010)	(1,902,166)
Deficit, beginning of period	(39,277,116)	(33,355,544)	(38,702,141)	(31,843,402)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deficit, end of period	(39,695,151)	(33,745,568)	(39,695,151)	(33,745,568)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Basic and diluted loss per share	(0.003)	(0.004)	(0.009)	(0.021)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average number of common shares outstanding	120,802,436	94,557,028	114,682,699	88,858,107
	<u> </u>	<u> </u>	<u> </u>	<u> </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 – Prepared by Management)

	For the three month period ended 31 July 2009 \$	For the three month period ended 31 July 2008 \$	For the six month period ended 31 July 2009 \$	For the six month period ended 31 July 2008 \$
Cash flows used in operating activities				
Net loss for the period	(418,035)	(390,024)	(993,010)	1,902,166
Adjustments to reconcile loss to net cash used by operating activities				
Amortization of property, plant and equipment (Note 5)	979	1,294	1,959	2,587
Stock-based compensation (Note 10)	-	-	-	455,818
Changes in operating assets and liabilities				
(Increase) decrease in amounts receivable	(2,913)	93,244	(15,974)	240,471
Increase in prepaid expenses	-	(1,355,289)	-	(1,657,695)
Increase (decrease) in accounts payable and accrued liabilities	(305,104)	(115,835)	82,625	(261,808)
	<u>(725,073)</u>	<u>(1,766,610)</u>	<u>(924,400)</u>	<u>(3,122,793)</u>
Cash flows from financing activities				
Decrease in due to related parties	-	-	-	(805)
Issuance of common shares for cash (Note 9)	-	703,963	954,565	1,122,081
Issuance of flow-through shares for cash (Note 9)	-	-	-	867,391
Issuance of warrants for cash (Note 9)	-	80,536	-	329,026
Warrants exercised (Note 9)	-	-	-	221,000
Options exercised (Note 9)	-	-	-	25,000
Share issuance costs (Note 9)	-	(24,518)	-	(24,518)
Subscriptions receivable (Note 9)	10,000	(535,500)	-	211,000
Share subscriptions received in advance (Note 9)	806,696	446,000	(43,498)	407,000
	<u>816,696</u>	<u>670,481</u>	<u>911,067</u>	<u>3,157,175</u>
Increase (decrease) in cash and cash equivalents	91,625	(1,096,129)	(13,333)	34,382
Cash and cash equivalents, beginning of period	<u>18,877</u>	<u>1,360,659</u>	<u>123,835</u>	<u>230,148</u>
Cash and cash equivalents, end of period	<u>110,502</u>	<u>264,530</u>	<u>110,502</u>	<u>264,530</u>

Supplemental Disclosures with Respect to Cash Flows (Note 13)

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

Sola Resource Corp.
(An Exploration Stage Company)
Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Number of shares issued	Share capital \$	Contributed surplus \$	Share subscriptions received in advance / share subscriptions receivable \$	Deficit \$	Total shareholders' deficiency \$
Balance at 31 January 2008	85,708,402	30,660,499	1,110,016	(242,000)	(31,843,402)	(314,887)
Common shares issued for cash (\$0.30 per unit) (Note 9)	1,650,000	418,118	76,882	-	-	495,000
Common shares issued for cash (\$0.25 per unit) (Note 9)	3,138,000	703,963	80,537	-	-	784,500
Common shares issued for cash (\$0.15 per unit) (Note 9)	3,776,666	419,539	146,960	-	-	566,499
Flow-through shares issued for cash (\$0.30 per unit) (Note 9)	3,333,331	834,833	165,166	-	-	999,999
Flow-through shares issued for services (\$0.30 per unit) (Note 9)	129,999	32,558	6,442	-	-	39,000
Common shares issued for service (\$0.25 per unit) (Note 9)	216,160	48,493	5,547	-	-	54,040
Common shares issued for service (\$0.30 per unit) (Note 9)	114,286	28,623	5,663	-	-	34,286
Common shares issued for service (\$0.15 per unit) (Note 9)	190,867	21,203	7,427	-	-	28,630
Warrants issued for services (\$0.25 per share) (Note 9)	-	-	2,080	-	-	2,080
Warrants exercised (\$0.40 per share) (Note 9)	20,000	8,000	-	-	-	8,000
Agent compensation warrants exercised (\$0.20 per share) (Note 9)	1,065,000	213,000	-	-	-	213,000
Stock options exercised (\$0.15 per share) (Note 9)	133,334	32,611	(12,611)	-	-	20,000
Stock options exercised (\$0.20 per share) (Note 9)	25,000	9,207	(4,207)	-	-	5,000
Share issuance costs – cash	-	(36,518)	-	-	-	(36,518)
Share issuance costs – shares	-	(130,877)	-	-	-	(130,877)
Share issuance costs – warrants	-	(27,158)	-	-	-	(27,158)
Stock-based compensation (Note 10)	-	-	624,163	-	-	624,163
Subscriptions received in advance (Note 9)	-	-	-	911,566	-	911,566
Subscriptions receivable (Note 9)	-	-	-	250,000	-	250,000
Net loss for the year	-	-	-	-	(6,858,739)	(6,858,739)
Balance at 31 January 2009 (Audited)	99,501,045	33,236,094	2,214,065	919,566	(38,702,141)	(2,332,416)

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' Equity (Deficiency)
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Number of shares issued	Share capital \$	Contributed surplus/share subscriptions received in advance/share subscriptions receivable \$	Warrants \$	Deficit \$	Total shareholders' equity (deficiency) \$
Balance at 31 January 2008	85,708,402	30,660,499	868,016	-	(31,843,402)	(314,887)
Common shares issued for cash (\$0.30 per unit)	1,650,000	418,118	-	-	-	418,118
Common shares issued for cash (\$0.25 per unit)	3,138,000	703,963	-	-	-	703,963
Flow-through shares issued for cash (\$0.30 per unit)	3,463,330	867,391	-	-	-	867,391
Common shares issued for service (\$0.25 per unit)	216,160	48,493	-	-	-	48,493
Common shares issued for service (\$0.30 per unit)	114,286	28,623	-	-	-	28,623
Warrants exercised (\$0.40 per share)	20,000	8,000	-	-	-	8,000
Agent compensation warrants exercised (\$0.20 per share)	1,065,000	213,000	-	-	-	213,000
Stock options exercised (\$0.15 per share)	133,334	32,611	(12,611)	-	-	20,000
Stock options exercised (\$0.20 per share)	25,000	9,207	(4,207)	-	-	5,000
Share issuance costs - cash	-	(24,520)	-	-	-	(24,520)
Share issuance cost - shares	-	(77,115)	-	-	-	(77,115)
Share issuance costs - warrants	-	(11,210)	-	-	-	(11,210)
Warrants granted	-	-	-	340,237	-	340,237
Stock-based compensation (Note 10)	-	-	455,818	-	-	455,818
Subscriptions received in advance (Note 9)	-	-	407,000	-	-	407,000
Subscriptions receivable (Note 9)	-	-	211,000	-	-	211,000
Net loss for the period	-	-	-	-	(1,902,166)	(1,902,166)
Balance at 31 July 2008	<u>95,533,512</u>	<u>32,877,060</u>	<u>1,925,016</u>	<u>340,237</u>	<u>(33,745,568)</u>	<u>1,396,745</u>
Balance at 31 January 2009 (Audited)	99,501,045	33,236,094	3,133,631	-	(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 debt (\$0.05 per unit) (Notes 7, 9, 11 and 13)	908,700	45,435	-	-	-	45,435
Common shares issued as finder's fee (\$0.05 per share) (Notes 9 and 13)	1,301,391	-	-	-	-	-
Subscriptions received in advance (Note 9)	-	-	(43,498)	-	-	(43,498)
Net loss for the period	-	-	-	-	(993,010)	(993,010)
Balance at 31 July 2009	<u>120,802,436</u>	<u>34,236,094</u>	<u>3,090,133</u>	<u>-</u>	<u>(39,695,151)</u>	<u>(2,368,924)</u>

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

Sola Resource Corp.
(An Exploration Stage Company)

Schedule 1 – Interim Consolidated Summary of Mineral Properties Expenditures

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the three month period ended 31 July 2009 \$	For the three month period ended 31 July 2008 \$	For the six month period ended 31 July 2009 \$	For the six month period ended 31 July 2008 \$
Operating expenses				
Administration	-	2,040	9,423	31,449
Camp and field expenditures	-	39,624	43,216	334,993
Geological and consulting	-	51,726	93,541	99,591
Manganese expenditures	320,000	-	355,000	-
Mining permit fees, maintenance and taxes	-	-	-	17,892
Professional and technical	-	5,000	97,444	326,796
Sampling	-	-	-	-
Travel and accommodation	-	15,774	-	64,138
	<u>320,000</u>	<u>114,164</u>	<u>598,624</u>	<u>874,859</u>
Acquisition of mineral property interests	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>58,806</u>
	<u><u>320,000</u></u>	<u><u>164,164</u></u>	<u><u>598,624</u></u>	<u><u>933,665</u></u>

Mineral Properties (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 – Prepared by Management)

	For the three month period ended 31 July 2009 \$	For the three month period ended 31 July 2008 \$	For the six month period ended 31 July 2009 \$	For the six month period ended 31 July 2008 \$
Administrative services (recovery)	(2,870)	39,701	39,790	91,726
Amortization	979	1,294	1,959	2,587
Filing fees	8,854	5,730	9,054	62,005
Investor relations	8,112	12,642	33,790	18,025
Legal and accounting	67,033	63,778	143,702	112,867
Management fees (Note 11)	-	48,914	106,393	70,687
Office and miscellaneous	4,833	21,295	22,225	91,884
Part XII.6 tax (Notes 7 and 16)	12,828	-	12,828	-
Rent	-	4,000	12,503	12,000
Shareholder communication	(5,755)	2,002	(5,755)	9,071
Stock-based compensation (Note 10)	-	-	-	455,818
Travel	4,021	26,504	17,897	41,831
	<u>98,035</u>	<u>225,860</u>	<u>394,386</u>	<u>968,501</u>

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Sola Resource Corp.
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Notes to Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

31 July 2009

1. 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 31 July 2009 and for the six 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 \$993,010 for the six month period ended 31 July 2009 (31 July 2008 - \$1,902,166) and has working capital deficiency of \$2,379,038 at 31 July 2009 (31 July 2008 – working capital of \$1,382,086, 31 January 2009 – working capital deficiency of \$2,344,488).

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 2010. 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.

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”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the six month period ended 31 July 2009 are not necessarily indicative of the results that may be expected for the year ended 31 January 2010. For further information, refer to the audited consolidated financial statements of the Company for the year ended 31 January 2009.

Sola Resource Corp.
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Notes to Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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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.

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.

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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.

Stock-based compensation

Effective 1 December 2002, the Company adopted, on a prospective basis, the provisions of Section 3870, "*Stock-Based Compensation and Other Stock Based Payments*", of the Canadian Institute of Chartered Accountants' Handbook ("CICA"). 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 December 2002.

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 periods presented, this calculation proved to be anti-dilutive.

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.

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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.

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.

The Company follows the recommendations of the Emerging Issues Committee (“EIC”) of the CICA with respects 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.

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 31 July 2009, 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 Canadian 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 financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from these estimates.

Financial Instrument Standards

Effective 1 February 2007, the Company adopted the new CICA Handbook Section 3855, “*Financial Instruments – Recognition and Measurement*”; Section 3865, “*Hedges*”; Section 1530, “*Comprehensive Income*”; and Section 3861, “*Financial Instruments – Disclosure and Presentation*” (the “Financial Instrument Standards”). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

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The Financial Instrument Standards require that adjustments to the carrying value of financial assets and liabilities be recorded within retained earnings or, in the case of available-for-sale assets, accumulated other comprehensive income on transition. The principal changes resulting from the adoption of the Financial Instrument Standards are as follows:

Financial Assets and Financial Liabilities

Under the new standards, financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as held-to-maturity, loans and receivables, available-for-sale or held-for-trading, as described below. The classification is not changed subsequent to initial recognition.

Held-to-Maturity and Loans and Receivables

Financial instruments that have a fixed maturity date, where the Company intends and has the ability to hold to maturity, are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Loans and receivables are measured at amortized cost using the effective interest method.

Available-for-Sale

Financial assets classified as available-for-sale are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in other comprehensive income. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect an other-than-temporary impairment. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are added to its fair value.

Held-for-Trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with the change in the fair value recognized in income.

Derivatives and Hedge Accounting

The Company does not hold or have any exposure to derivative instruments and accordingly is not impacted by CICA Handbook Section 3865, "Hedges".

Comprehensive Income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the net investment in self-sustaining operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented (if applicable) as a new category in shareholders' equity.

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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.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and due to related parties. The carrying value of the financial instruments is approximate fair value due to their short term to maturity. 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.

In December 2006, the CICA issued Handbook Section 3862, "*Financial Instruments – Disclosures*" and Section 3863, "*Financial Instruments – Presentation*". Section 3862 modifies the disclosure requirements of Section 3861 and requires entities to provide disclosures in the consolidated financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and performance, and the nature and extent of risks arising from financial instruments and non-financial derivatives. Section 3863, "*Financial Instruments – Presentation*" carries forward unchanged the presentation requirements for financial instruments of Section 3861, "*Financial Instruments – Disclosures and Presentation*". Sections 3862 and 2863 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after 1 October 2007. The adoption of this standard did not have a material impact on the Company's operating results or financial position and on the Company's interim consolidated financial statement disclosure.

Capital disclosures

In December 2006, the CICA issued Section 1535, "*Capital Disclosures*". The main features of the new section are as follows:

- Requirements for an entity to disclose qualitative information about its objectives, policies and processes for managing capital;
- A requirement for an entity to disclose quantitative data about what it regards as capital; and
- A requirement for an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

Section 1535 is effective for interim and annual financial statements relating to fiscal years beginning on or after 1 October 2007. The adoption of this standard did not have a material impact on the Company's operating results or financial position and on the Company's interim consolidated financial statements.

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Going concern

In June 2007, the CICA issued changes to Section 1400, “*General Standards of Financial Statement Presentation*”. Section 1400 has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. Management shall make an assessment of an entity’s ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast doubt upon the entity’s ability to continue as a going concern, those uncertainties shall be disclosed.

When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern. Section 1400 is effective for interim and annual financial statements relating to fiscal years beginning on or after 1 January 2008. Earlier adoption is encouraged. The adoption of this standard did not have a material impact on the Company’s operating results or financial position on the Company’s interim consolidated financial statement disclosure.

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.

3. Restricted Cash and Cash Equivalents

A total of \$110,502 of the Company’s cash and cash equivalents at 31 July 2009 relates to proceeds from the issuance of flow-through shares and is restricted to future expenditures on Canadian mineral property operating expenditures (Notes 15 and 16).

4. Amounts Receivable

Amounts receivable are non-interest bearing, unsecured and have settlement dates within one year.

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5. Property, Plant and Equipment

	Cost \$	Accumulated amortization \$	Net Book Value		As at 31 January 2009 (Audited) \$
			As at 31 July 2009 \$	As at 31 July 2008 \$	
Computer equipment	7,899	6,088	1,811	2,796	2,303
Vehicle	33,508	25,205	8,303	11,863	9,769
	<u>41,407</u>	<u>31,293</u>	<u>10,114</u>	<u>14,659</u>	<u>12,072</u>

During the six month period ended 31 July 2009, total additions of the Company to property, plant and equipment were \$Nil (31 July 2008 - \$Nil, 31 January 2009 - \$Nil).

6. Mineral Properties

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 issue 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:

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

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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).

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 can be summarized as follows:

	For the three month period ended 31 July 2009 \$	For the three month period ended 31 July 2008 \$
Operating expenses		
Administration	-	31,449
Camp and field expenditures	-	334,993
Geological and consulting	-	93,591
Mining permit fees, maintenance and taxes	-	17,892
Professional and technical	-	326,786
Travel and accommodation	-	64,138
	-	868,859
Acquisition of mineral property interest	-	8,806
	-	877,665

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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) and development expenditures of \$1,000,000 (\$6,000 incurred) and \$500,000 in the first and second years respectively (Note 15).

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

- i. Must expend \$500,000 on or before 31 December 2009;
- ii. Has until 30 June 2010 to earn its initial 60% interest; and
- iii. Has until 30 June 2011 to earn a further 10% interest.

Expenditures related to the MacKay Lake Diamond Property for the six month period ended 31 July 2009 consist of geological and consulting of \$Nil (31 July 2008 - \$6,000).

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.

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 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. 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 six month period ended 31 July 2009 consist of exploration and geological costs of \$355,000 (31 July 2008 - \$Nil).

Dash Claims, British Columbia

On 20 May 2009, the Company announced that it had signed a Letter of Intent (“LOI”) 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. Previous drilling in 1987 by Esso Resources Canada had revealed some significant gold intersections.

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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, the FRC would receive 8,300,000 million common shares of the Company, in stages, and acquire an overriding 2% NSR. This option agreement was approved by TSX Venture Exchange subsequent to 31 July 2009 (Notes 11, 15 and 18).

7. Accounts Payable and Accrued Liabilities

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

During the six month period ended 31 July 2009, the Company issued 708,700 units at a price of \$0.05 per unit to settle debt of the Company in the amount of \$35,435 (Notes 9 and 13).

Included in the accounts payable and accrued liabilities at 31 July 2009 is \$12,828 (31 July 2008 - \$Nil, 31 January 2009 - \$Nil) related to Part XII.6 tax on unspent funds raised by the Company on flow-through share offerings (Note 16).

8. Due to Related Parties

Amounts due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

9. Capital Stock

Authorized capital stock consists of unlimited voting common shares with no par value. At 31 July 2009, 120,802,436 common shares are issued and outstanding.

Capital stock transactions of the Company during the six month period ended 31 July 2009 and during the year ended 31 January 2009 are summarized as follows:

- i. On 23 February 2009, a total of 514,000 agent compensation warrants exercisable at a price of \$0.50 per common share expired.
- ii. On 23 February 2009, a total of 2,637,857 share purchase warrants exercisable at a price of \$0.50 per common share expired.
- iii. 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.
- iv. 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 31 July 2009, all of the related share purchase warrants in this series remain outstanding.

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- v. On 24 March 2009, the Company issued 708,700 units at a price of \$0.05 per unit to settle debt of the Company in the amount of \$35,435. 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 31 July 2009, all of the related share purchase warrants in this series remain outstanding (Notes 7 and 13).
- vi. On 24 March 2009, the Company issued 200,000 units at a price of \$0.05 per unit for related party debt of \$10,000. 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 31 July 2009, all of the related share purchase warrants in this series remain outstanding (Notes 11 and 13).
- vii. 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. As at 31 July 2009, all of the related share purchase warrants in this series remain outstanding (Note 13).
- 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.
- ix. On 5 April 2009, a total of 514,400 agent compensation warrants exercisable at a price of \$0.25 per common share expired.
- x. On 18 April 2009, a total of 266,667 stock options exercisable at a price of \$0.30 per common share expired.
- xi. On 17 October 2008, the Company issued 3,550,000 stock options. Each stock option entitles the holder to purchase a common share at a price of \$0.10 up to 17 October 2010. As at 31 January 2009, all stock options in this series remain outstanding.
- xii. On 8 September 2008, the Company issued 40,000 warrants as consideration for payment for services rendered by a private placement agent. Each agent compensation warrant entitles the holder to purchase an additional common share at a price of \$0.25 up to 8 March 2010. As at 31 January 2009, all of the related agent compensation warrants in this series remains outstanding.
- xiii. On 8 September 2008, the Company issued 190,867 units at a price of \$0.15 per unit as consideration for payment for services rendered by a private placement agent. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.30 up to 8 September 2009. As at 31 January 2009, all of the related agent compensation warrants in this series remains outstanding.

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- xiv. On 8 September 2008, the Company issued 3,776,666 units at a price of \$0.15 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.30 up to 8 September 2009. As at 31 January 2009, all of the related share purchase warrants in this series remain outstanding.
- xv. On 26 May 2008, the Company issued 216,160 units at a price of \$0.25 per unit as consideration for payment for services rendered by a private placement agent. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.50 up to 26 November 2009. As at 31 January 2009, all of the related share purchase warrants in this series remain outstanding.
- xvi. On 26 May 2008, the Company issued 3,138,000 units at a price of \$0.25 per unit. Each unit consists of one common share and one-half share purchase warrant. Each whole purchase warrant entitles the holder to purchase an additional common share at a price of \$0.50 up to 26 November 2009. As at 31 January 2009, all of the related share purchase warrants in this series remain outstanding.
- xvii. On 23 May 2008, the Company issued 114,286 units at a price of \$0.30 per unit as consideration for payment for services rendered by a private placement agent. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.50 up to 15 October 2009. As at 31 January 2009, all of the related agent compensation warrants in this series remains outstanding.
- xviii. On 18 April 2008, the Company issued 266,667 stock options. Each stock option entitles the holder to purchase a common share at a price of \$0.30 up to 18 April 2009. As at 31 January 2009, all stock options in this series remain outstanding.
- xix. On 14 April 2008, the Company issued 129,999 units at a price of \$0.30 per unit as consideration for payment for services rendered by a private placement agent. Each unit consists of one flow-through common share and one-half non flow-through share purchase warrant. Each whole share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.50 up to 15 October 2009. As at 31 January 2009, all of the related share purchase warrants in this series remain outstanding.
- xx. On 14 April 2008, the Company issued 3,333,331 units at a price of \$0.30 per unit. Each unit consists of one flow-through common share and one-half non flow-through share purchase warrant. Each whole share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.50 up to 15 October 2009. As at 31 January 2009, all of the related share purchase warrants in this series remain outstanding (Note 16).
- xxi. On 25 March 2008, the Company issued 1,650,000 units at a price of \$0.30 per unit. Each unit consists of one common share and one share purchase warrant. Two share purchase warrants entitle the holder to purchase an additional common share at a price of \$0.50 up to 25 September 2009. As at 31 January 2009, all of the related share purchase warrants in this series remain outstanding.

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- xxii. On 25 March 2008, the Company issued 20,000 common shares valued at a price of \$0.40 per share upon exercise of previously outstanding share purchase warrants (40,000 share purchase warrants). As at 31 January 2009, 10,484,000 share purchase warrants in this series remain outstanding.
- xxiii. On 7 March 2008, the Company issued 133,334 common shares valued at a price of \$0.15 per share upon the exercise of previously outstanding stock options. As at 31 January 2009, no stock options in this series remain outstanding.
- xxiv. On 3 March 2008 and 25 March 2008, the Company issued 315,000 and 750,000 common shares respectively, valued at a price of \$0.20 per share upon exercise of previously 1,065,000 outstanding agent compensation warrants. During the year ended 31 January 2009, a total of 10,000 agent compensation warrants in this series was granted as consideration for payment for services rendered by a private placement agent. As at 31 January 2009, no agent compensation warrants in this series remain outstanding.
- xxv. On 26 February 2008, the Company issued 2,400,000 stock options. Each stock option entitles the holder to purchase a common share at a price of \$0.28 up to 26 February 2011. As at 31 January 2009, all stock options in this series remain outstanding.
- xxvi. On 6 February 2008, the Company issued 25,000 common shares valued at a price of \$0.20 per share upon the exercise of previously outstanding stock options. As at 31 January 2009, no stock options in this series remain outstanding.
- xxvii. During the year ended 31 January 2009, 821,000 share purchase warrants with an exercise price of \$0.90 expired.
- xxviii. During the year ended 31 January 2009, 8,514,285 share purchase warrants with an exercise price of \$0.50 expired.
- xxix. During the year ended 31 January 2009, 26,000 agent compensation warrants with an exercise price of \$0.90 expired.
- xxx. During the year ended 31 January 2009, 235,120 agent compensation warrants with an exercise price of \$0.40 expired.
- xxxi. During the year ended 31 January 2009, 112,200 agent compensation warrants with an exercise price of \$0.50 expire.

Subscriptions receivable

Subscriptions receivable consist of \$Nil (31 July 2008 - \$39,000, 31 January 2009 - \$Nil) cash not yet received by the Company for Nil (31 July 2008 - 129,999, 31 January 2009 - Nil) common shares that were issued at 31 July 2009.

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Subscriptions received in advance

Subscriptions received in advance consist of \$876,068 (31 July 2008 - \$415,000, 31 January 2009 - \$919,566) of cash received by the Company representing 17,521,360 (31 July 2008 - 4,150,000, 31 January 2009 – 20,000,000) common shares that were not yet issued as at 31 July 2009 (Notes 15 and 18).

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.

The following incentive stock options were outstanding at 31 July 2009 as noted below. Certain of these stock options expired subsequent to 31 July 2009 (Note 18).

	Exercise price \$	Number of options	Remaining contractual life (years)
Options	0.50	2,000,000	0.12
	0.30	1,500,000	0.56
	0.10	3,550,000	1.21
	0.28	<u>2,400,000</u>	1.57
		<u>9,450,000</u>	

The following is a summary of the Company's stock option activities during the six month periods ended 31 July 2009 and 2008:

	Number of options	Weighted average exercise price \$
Outstanding and exercisable at 1 February 2008	5,625,000	0.31
Granted	2,400,000	0.28
Exercised	(158,334)	0.16
Expired	<u>-</u>	-
Outstanding and exercisable at 31 July 2008	<u>7,866,666</u>	<u>0.31</u>
Weighted average fair value of options granted during the period		<u>0.18992</u>

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	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 31 July 2009	<u>9,450,000</u>	<u>0.26</u>
Weighted average fair value of options granted during the period		<u>-</u>

Warrants and agent compensation warrants

The following share purchase warrants and agent compensation warrants were outstanding at 31 July 2009 as noted below. Certain of these share purchase warrants and agent compensation warrants expired subsequent to 31 July 2009 (Note 18).

	Exercise price \$	Number of warrants	Remaining contractual life (years)
Warrants	0.30	3,776,666	0.10
Agent compensation warrants	0.30	190,867	0.10
Warrants	0.50	1,650,000	0.15
Warrants	0.50	1,731,665	0.21
Agent compensation warrants	0.50	57,143	0.21
Agent compensation warrants	0.50	108,080	0.32
Warrants	0.50	1,569,000	0.32
Agent compensation warrants	0.25	40,000	0.60
Warrants	0.15	20,000,000	0.65
Agent compensation warrants	0.15	<u>1,301,391</u>	0.65
		<u>30,424,812</u>	

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The following is a summary of the Company's warrant activities during the six month periods ended 31 July 2009 and 2008:

	Number of warrants	Weighted average exercise price \$
Outstanding and exercisable at 1 February 2008	24,953,862	0.19
Granted	5,125,888	0.25
Exercised	(1,105,000)	0.10
Expired	<u>(847,000)</u>	0.90
Outstanding and exercisable at 31 July 2008	<u>28,127,750</u>	<u>0.25</u>
Weighted average fair value of warrants granted during the period		<u>0.07881</u>
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 31 July 2009	<u>30,424,812</u>	<u>0.28</u>
Weighted average fair value of warrants granted during the period		<u>0.03619</u>

The weighted average grant date fair value of warrants issued during the six month period ended 31 July 2009, amounted to \$0.03619 per warrant (31 July 2008 – \$0.07881). The fair value of each warrant granted was determined using the Black-Scholes warrant pricing model and the following weighted average assumptions:

	2009	2008
Risk free interest rate	0.62%	3.51%
Expected life	1 year	1.5 years
Annualized volatility	223.52	104.78
Expected dividends	-	-

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10. Stock-Based Compensation

During the six month period ended 31 July 2009 the Company granted Nil stock options (31 July 2008 – 2,400,000). The estimated fair value of these options was \$Nil per share (31 July 2008 - \$0.18992) for a total of \$Nil (31 July 2008 - \$455,818).

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

	2009	2008
Risk free interest rate	-	3.53%
Expected life	-	3 years
Annualized volatility	-	106.78%
Expected dividends	-	-

11. Related Parties Transactions

During the six month period ended 31 July 2009, the Company entered into the following transaction with related parties:

- i. Paid or accrued management fees of \$Nil (31 July 2008 – \$70,687) for administrative services to a company controlled by a director of the Company.
- ii. Paid or accrued consulting fees of \$30,352 (31 July 2008 - \$Nil) to an officer or company controlled by a director of the Company.
- iii. On 24 March 2009, the Company issued 200,000 units at a price of \$0.05 per unit for related party debt of \$10,000. 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 (Notes 9 and 13).
- iv. On 20 May 2009, the Company signed a LOI for an option to purchase 100% of Dash Claims with FRC, a company controlled by a director and officer of the Company (Note 6).

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.

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12. Income Taxes

As at 31 July 2009, the Company had available for deduction against future taxable income, non-capital losses of approximately \$10,943,000. 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 2030.

Additionally, the Company has approximately \$30,519,000 of development expenses and exploration expenditures as at 31 July 2009 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.

13. Supplemental Disclosures with Respect to Cash Flows

	For the six month period ended 31 July 2009 \$	For the six month period ended 31 July 2008 \$
Cash paid during the period for interest	-	-
Cash paid during the period for income taxes	-	-

During the six month period ended 31 July 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. As at 31 July 2009, all of the related agent compensation warrants in this series remain outstanding (Note 9).

During the six month period ended 31 July 2009, the Company issued 708,700 units at a price of \$0.05 per unit to settle debt of the Company in the amount of \$35,435. 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 31 July 2009, all of the related share purchase warrants in this series remain outstanding (Notes 7 and 9).

During the six month period ended 31 July 2009, the Company issued 200,000 units at a price of \$0.05 per unit for related party debt of \$10,000. 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 31 July 2009, all of the related share purchase warrants in this series remain outstanding (Notes 9 and 11).

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14. Segmented Information

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

The Company's identifiable assets are located in Brazil and British Columbia.

15. Commitments

The Company has the following commitments as at 31 July 2009:

- 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 issuance of flow-through shares (Notes 3 and 16).
- c. The Company has certain obligation related to the issuance of common shares related to the subscriptions received in advance of \$876,068 (Notes 9 and 18).

16. Contingency

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 31 July 2009, the Company had spent \$12,735 of these expenditures. The Company has current and future obligations related to the issuance of flow-through shares (Notes 3 and 15).

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 2009.

Sola Resource Corp.
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

31 July 2009

18. Subsequent Events

The following events occurred subsequent to 31 July 2009:

- i. On 17 August 2009, the Company completed and filed a technical report on SEDAR in relation to the Dash Claims located in British Columbia.
- ii. On 24 August 2009, the Company closed a non-brokered private placement comprising 20,080,800 units at a price of \$0.05 per unit for total proceeds of \$1,004,040. Each unit consists of one common share with a hold period to 24 December 2009 and one non-transferable share purchase warrant. Each one warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.15 until 24 August 2011. During the six month period ended 31 July 2009, the Company received subscriptions received in advance of \$876,068 in relation to this private placement (Notes 9 and 15).

The Company issued 1,288,756 units valued at \$64,438 for finder's fee. Each unit consists of one common share with a hold period to 24 December 2009 and one non-transferable share purchase warrant. Each one warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.15 until 24 August 2011.

- iii. On 24 August 2009, TSX Venture Exchange accepted the option agreement to purchase the Dash Claims (Note 6).
- iv. On 8 September 2009, a total of 3,776,666 share purchase warrants exercisable at a price of \$0.30 per share expired (Note 9).
- v. On 8 September 2009, a total of 190,867 agent compensation warrants exercisable at a price of \$0.30 per share expired (Note 9).
- vi. On 13 September 2009, a total of 2,000,000 stock options exercisable at a price of \$0.50 per share expired (Note 9).
- vii. On 23 September 2009, the Company announced the resignations of Dr. Roger Morton as President and a director of the Company and Mr. Jody Dahrouge as a director of the Company.
- viii. On 23 September 2009, the Company announced its recent exploration and drilling results related to the Dash Claims.
- ix. On 25 September 2009, a total of 1,650,000 share purchase warrants exercisable at a price of \$0.50 per share expired (Note 9).