

SOLEX RESOURCES CORP.
(An Exploration Stage Company)

Consolidated Financial Statements
June 30, 2008 and 2007

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MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and all information in the annual report are the responsibility of the Board of Directors and management. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management maintains the necessary systems of internal controls, policies and procedures to provide assurance that assets are safeguarded and that the financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee, which reports to the Board of Directors, meets with the independent auditors and reviews the financial statements.

The consolidated financial statements have been audited by Smythe Ratcliffe LLP, Chartered Accountants, who were appointed by the shareholders. The auditors’ report outlines the scope of their examination and their opinion on the financial statements.

“Jonathan Challis”

.....

President and Director

Vancouver, British Columbia
October 3, 2008

“Tony Wood”

.....

COO, CFO and Director

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SOLEX RESOURCES CORP. (An Exploration Stage Company)

We have audited the consolidated balance sheets of Solex Resources Corp. (An Exploration Stage Company) as at June 30, 2008 and 2007 and the consolidated statements of operations and deficit, comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
October 3, 2008

SOLEX RESOURCES CORP.
(An Exploration Stage Company)
Consolidated Balance Sheets
June 30

	2008	2007
		(note 3)
ASSETS		
Current		
Cash and cash equivalents	\$ 3,506,776	\$ 11,285,983
Accounts receivable (note 12)	15,000	68,795
Other receivables	8,145	118,582
Marketable securities (note 6)	1,605,000	436,000
Prepaid expenses	73,613	43,898
	<u>5,208,534</u>	<u>11,953,258</u>
Property and equipment (note 9)	405,158	196,359
Resource properties (note 7)	11,153,172	5,402,315
	<u>\$ 16,766,864</u>	<u>\$ 17,551,932</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 598,775	\$ 355,871
SHAREHOLDERS' EQUITY		
Share capital (note 10)	21,658,371	21,331,717
Contributed surplus (note 10(c))	3,989,731	2,917,702
Accumulated other comprehensive income (note 11)	644,000	-
Deficit	<u>(10,124,013)</u>	<u>(7,053,358)</u>
	<u>16,168,089</u>	<u>17,196,061</u>
	<u>\$ 16,766,864</u>	<u>\$ 17,551,932</u>

Going-concern (note 2)
 Commitments (note 15)

APPROVED BY THE DIRECTORS:

"Jonathan Challis", President and Director

"Robert Boaz", Independent Chairman and Director

SOLEX RESOURCES CORP.
(An Exploration Stage Company)
Consolidated Statements of Operations and Deficit
For the years ended June 30

	2008	2007
		(note 3)
Administrative costs		
Amortization	\$ 36,455	\$ 30,612
Bad debts (note 12)	53,795	-
Bank charges and interest	11,326	4,002
Consulting fees (note 12)	303,383	145,463
Directors' fees	73,562	4,800
Filing and transfer agent fees	71,481	92,062
Foreign exchange, net	(66,504)	52,853
Investor relations	282,284	445,829
Management fees	225,000	305,000
Office, rent and miscellaneous (note 12)	177,009	238,573
Professional fees	503,428	159,895
Stock-based compensation (note 10(e))	1,178,683	2,331,485
Travel	82,916	162,451
Wages and salaries	442,943	397,367
	<hr/>	<hr/>
Loss before other items	3,375,761	4,370,392
Other items		
Property disposal loss, net (note 8)	-	183,207
Interest income	(305,106)	(200,560)
	<hr/>	<hr/>
Net loss for the year	3,070,655	4,353,039
Deficit, beginning of year	<u>7,053,358</u>	<u>2,700,319</u>
Deficit, end of year	\$ <u><u>10,124,013</u></u>	\$ <u><u>7,053,358</u></u>
Basic and diluted loss per share	\$ <u><u>0.05</u></u>	\$ <u><u>0.09</u></u>
Weighted average number of common shares outstanding	<u><u>57,446,344</u></u>	<u><u>46,370,126</u></u>

Consolidated Statements of Comprehensive Loss
For the years ended June 30

	2008	2007
		(note 3)
Net loss for the year	\$ 3,070,655	\$ 4,353,039
Available-for-sale financial assets:		
Unrealized gain (note 11)	(472,500)	-
	<hr/>	<hr/>
Total comprehensive loss for the year	\$ <u><u>2,598,155</u></u>	\$ <u><u>4,353,039</u></u>

SOLEX RESOURCES CORP.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the years ended June 30

	2008	2007 (note 3)
Operating activities		
Net loss for the year	\$ (3,070,655)	\$ (4,353,039)
Add items not involving cash		
Amortization	36,455	30,612
Stock-based compensation	1,178,683	2,331,485
Property disposal loss	-	183,207
Foreign exchange loss	7,547	11,101
Loss on asset disposal	802	-
	<u>(1,847,168)</u>	<u>(1,796,634)</u>
Changes in non-cash working capital items (operations)		
Accounts receivable	53,795	(497)
Other receivables	110,437	(94,180)
Prepaid expenses	(29,715)	8,652
Accounts payable and accrued liabilities	61,367	34,826
	<u>(1,651,284)</u>	<u>(1,847,833)</u>
Cash used in operating activities		
Financing activities		
Issue of common shares	220,000	16,196,087
Share issuance costs	-	(712,297)
	<u>220,000</u>	<u>15,483,790</u>
Cash provided by financing activities		
Investing activities		
Resource property expenditures	(6,094,320)	(3,999,407)
Acquisition of property and equipment, net	(246,056)	(146,815)
	<u>(6,340,376)</u>	<u>(4,146,222)</u>
Cash used in investing activities		
Effect of exchange rate changes on cash	(7,547)	(11,165)
	<u>(7,779,207)</u>	<u>9,478,570</u>
Increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>11,285,983</u>	<u>1,807,413</u>
Cash and cash equivalents, end of year	\$ <u><u>3,506,776</u></u>	\$ <u><u>11,285,983</u></u>
Cash	\$ 775,940	\$ 450,552
Cash equivalents	<u>2,730,836</u>	<u>10,835,431</u>
	\$ <u><u>3,506,776</u></u>	\$ <u><u>11,285,983</u></u>

Supplemental disclosure with respect to cash flows (note 14)

SOLEX RESOURCES CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended June 30, 2008 and 2007

1. NATURE AND CONTINUANCE OF OPERATIONS

Solex Resources Corp. (the "Company") is an exploration stage company engaged in the acquisition, exploration and development of resource properties.

2. GOING-CONCERN

These consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business.

The recovery of amounts shown as acquisition costs of resource properties and the related deferred exploration costs for resource properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, and upon future profitable operations from the properties or proceeds from the disposition thereof.

The Company's ability to continue as a going-concern is dependent on the Company being able to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its resource interests, the attainment of profitable mining operations, and or the receipt of proceeds from the disposition of its resource property interests. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going-concern.

As of June 30, 2008, the Company has working capital of \$4,609,759 (2007 - \$11,597,387). The Company expects to fund most of its operations for the coming year from its current working capital and if necessary any shortfalls being financed through private placements. Consistent with its business plan, the Company will be actively seeking to both joint venture and/or dispose of projects. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. The Company intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

3. COMPARATIVE FIGURES

Certain of the comparative figures are reclassified to conform to the current year's presentation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

(a) Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Solex Del Peru Sociedad Anonima Cerrada ("Solex Del Peru"), incorporated in Peru on October 25, 2005, and Minera Macusani Sociedad Anonima Cerrada ("Minera Macusani"), incorporated in Peru on April 2, 2008.

All intercompany balances and transactions with Solex Del Peru and Minera Macusani have been eliminated upon consolidation.

A portion of the Company's exploration activities is conducted jointly with others when the Company enters into agreements that provide for specified percentage interests in mineral properties. Joint venture accounting, which reflects the Company's proportionate interest in mineral properties, is applied by the Company only when the parties enter into formal comprehensive agreements for ownership and mining participation terms.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with maturities at point of purchase of 90 days or less.

SOLEX RESOURCES CORP.
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Notes to the Consolidated Financial Statements
For the years ended June 30, 2008 and 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Resource properties

The Company defers all costs related to investments in resource interests on a property-by-property basis. Such costs include resource property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and resource property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred resource property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value.

From time to time the Company may acquire or dispose of a resource property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received.

(d) Amortization

Property and equipment are recorded at cost. Amortization is provided using the following methods and annual rates:

	Canada	Peru
Furniture and fixtures	20% declining balance	Straight-line over ten years
Computer equipment	30% declining balance	Straight-line over four years
Field equipment	30% declining balance	Straight-line over ten years
Computer software	100% declining balance	Straight-line over two years
Leasehold improvements	Straight-line over term of lease	Straight-line over ten years

Amortization on Canadian additions during the year is calculated at one-half of the annual amount. Peruvian additions are amortized on a pro-rata basis based on the annual amortization amount.

Amortization of equipment related to the Company's exploration activities is capitalized to resource properties. Amortization of equipment not specifically related to the Company's exploration activities is included in the consolidated statements of operations and deficit.

(e) Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the average rate of exchange for the period.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the year.

(f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss 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 period.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of resource properties, useful life and recoverability of long-lived assets, accrued liabilities, the assumptions used in the determination of the fair value of stock-based compensation and the valuation allowance for future income tax asset. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances. The actual results experienced by the Company may differ materially and adversely from the Company's estimates and could affect future results of operations and cash flows.

(i) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or resource properties, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(j) Asset retirement obligation

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs to record in the financial statements.

(k) Financial instruments

Effective July 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, "Financial Instruments, Recognition and Measurement". This new standard requires the Company to account for certain financial assets and liabilities at fair value and revalue them at fair value on the date of implementation.

Financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

SOLEX RESOURCES CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended June 30, 2008 and 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Transaction costs other than those related to financial instruments classified as held-for-trading or available-for-sale, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method.

The Company has implemented the following classifications:

- | | |
|--------------------------------------------|-----------------------------|
| • Cash and cash equivalents | Held-for-trading |
| • Accounts receivable | Loans and receivables |
| • Marketable securities | Available-for-sale |
| • Accounts payable and accrued liabilities | Other financial liabilities |

As at July 1, 2007, the carrying value and fair value of marketable securities were \$436,000 and \$607,500, respectively. The initial adoption of this new standard resulted in a net unrealized gain of \$171,500. This net unrealized gain is presented as an adjustment to marketable securities and accumulated other comprehensive income.

Comprehensive income

Effective July 1, 2007, the Company adopted the CICA Handbook Section 1530, "Comprehensive Income", which establishes standards for presentation and disclosure of a statement of comprehensive income (loss). Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) consists of gains and losses affecting shareholders' equity that under GAAP are excluded from net income (loss).

The Company's consolidated financial statements include a consolidated statement of other comprehensive loss while the cumulative amount and accumulated other comprehensive income ("AOCI") are presented as a separate item of shareholders' equity.

(l) Interest income

Interest income derived from cash and cash equivalents is recognized on an accrual basis as earned at the stated rate of interest.

(m) Future accounting changes

The following changes (i to iii) will apply for the Company's interim and annual consolidated financial statements commencing July 1, 2008, while change (iv) will apply from July 1, 2009. The Company is in the process of assessing the impact of these changes on its consolidated financial statements.

(i) Capital Disclosures

In February 2007, the CICA issued Handbook Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital.

(ii) Financial Instruments

In February 2007, the CICA issued two new standards, Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". These sections will replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

(iii) Going-Concern

In June 2007, the CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of a company's ability to continue as a going-concern. 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 company is not considered a going-concern.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (m) Future accounting changes (Continued)
- (iv) Goodwill and Intangible Assets
In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.
- (v) International Financial Reporting Standards ("IFRS")
In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements beginning on June 30, 2011. Implementation of the change will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

5. FINANCIAL INSTRUMENTS

- (a) Fair value
Prior to the adoption of CICA Handbook Section 3855, the Company disclosed the fair value of its financial instruments. In prior years the carrying values of cash and cash equivalents, accounts receivable, other receivables, and accounts payable and accrued liabilities approximated their fair values due to the relatively short periods to maturity of those financial instruments.

The fair value of marketable securities approximated its quoted market price.
- (b) Interest rate risk
The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

As of June 30, 2008, the Company's cash equivalents had annual yields ranging from 2.971% to 2.982% and maturity dates of two months or less.
- (c) Credit risk
The Company is exposed to credit risk with respect to its cash and cash equivalents and accounts receivable; however, risk on cash and cash equivalents is mitigated by placing it with major Canadian financial institutions.

As of June 30, 2008, the Company had cash holdings of US \$204,853 and Peruvian Soles 39,406.
- (d) Currency risk
The Company is exposed to currency risk as the Company's exploration expenditures are incurred predominately in US dollars and management does not utilize derivatives or apply other techniques to manage the foreign currency risk.

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6. MARKETABLE SECURITIES

Frontier Pacific Mining Corporation	June 30, 2008	June 30, 2007
1,500,000 shares (2007 – 750,000 shares)	\$ 961,000	\$ 436,000
Accumulated other comprehensive income (note 11)	644,000	-
	\$ 1,605,000	\$ 436,000

On July 16, 2008, Eldorado Gold Corporation (“Eldorado”) acquired 95% of Frontier Pacific Mining Corporation’s outstanding common shares. As a result, the Company received 0.122 Eldorado shares plus \$0.0001 in cash for each Frontier Pacific share.

As of October 3, 2008, these marketable securities have a fair value of \$1,074,210 (June 30, 2007 - \$607,500).

7. RESOURCE PROPERTIES

(a) Princesa-Pilunani Belt properties, south-eastern Peru

The Princesa-Pilunani Belt properties consist of 19 contiguous or closely adjacent claims totalling 13,900 hectares, containing the following:

Princesa-Pilunani Belt Property Claim List		
Pilunani claim	One claim 1,000 hectares	Acquired by agreement (note 7(a)(i))
Princesa claims	Five claims 2,500 hectares	Acquired by staking (note 7(a)(ii))
Other Princesa-Pilunani belt properties	Thirteen claims 10,400 hectares	Acquired by staking

- (i) Pursuant to an acquisition agreement dated April 26, 2004, the Company purchased a 100% undivided interest in a 1,000-hectare mineral property, located in the Puno Mining District, south-eastern Peru. As consideration, the Company paid US \$50,000 cash and issued 5,000,000 Series P special warrants subsequently converted to 5,000,000 common shares.
- (ii) In August 2005, the Company increased its holdings in the Pilunani area by staking the Princesa properties in an area northwest of the main Pilunani claim.
- (iii) In August 2005, the Company acquired an option to own up to a 100% interest in the Asnune and Carcuta properties totalling 1,000 hectares with option payments of \$195,000 and 3,000,000 common shares payable over five years. In June 2007, management decided not to proceed further with the option agreements, resulting in a write-off of \$338,952, including \$159,000 attributable to the issuance of 300,000 shares.

(b) Cullquimayo properties, southern Peru

The Cullquimayo properties consist of 13 claims, totalling 8,400 hectares.

Pursuant to a May 2005 agreement, three properties totalling 1,600 hectares were acquired under an option requiring an initial payment of US \$5,000 per property (paid), payments of US \$10,000 per property in years two (paid) and three (paid), and US \$50,000 per property in year four.

With regard to the three Cullquimayo claims acquired under an option agreement, the Company deposited the requisite final option payment in trust and made official notification to the Optionor of the payment by the due date. Subsequent to the year ended June 30, 2008, the Optionor, who had initially delayed taking receipt of the final payment, agreed to conclude on the transaction following the commencement of legal proceedings against the Optionor by the Company. The actual payment is still to be made.

The other ten properties totalling 6,800 hectares were acquired by staking.

(c) Macusani East properties, southern Peru

Macusani East joint ventured properties consist of 66 claims, totalling 43,320 hectares. Macusani East wholly owned properties consist of 6 claims, totalling 4,500 hectares.

On March 21, 2005, the Company announced that it had signed a letter of intent with Frontier Pacific Mining Corp. (“Frontier Pacific”) whereby Frontier Pacific can earn a 50% interest in the 66 joint ventured claims for periodic payments totalling US \$50,000 cash, 1,500,000 shares and US \$4,000,000 in expenditures over a five-year period. Receipt of consideration is as follows:

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7. RESOURCE PROPERTIES (Continued)

(c) Macusani East properties, southern Peru (Continued)

Joint Venture Earn-in Schedule

Time	Payments	Expenditures (US \$)	Earn-in
	200,000 shares *		
April 26, 2005	and US \$50,000 *	N/A	
April 26, 2006	250,000 shares *	\$ 400,000 **	
April 26, 2007	300,000 shares *	350,000 **	
April 26, 2008	350,000 shares *	500,000 **	
April 26, 2009	400,000 shares *	900,000 **	
April 26, 2010	Nil	1,850,000 **	
Total	1,500,000 shares	\$ 4,000,000	50% ***

*Received ** Expenditure completed *** Interest earned

On April 26, 2007, the Company received 300,000 of Frontier Pacific's shares at a fair value of \$225,000 as an earn-in payment. After applying \$69,255 in exploration expenditures incurred by the Company, the Company realized a gain on property disposal of \$155,745.

To fulfil its other earn-in requirements, on November 1, 2007, Frontier Pacific issued the remaining 750,000 shares to the Company. These shares were fair valued at \$525,000 and were recorded as a property cost recovery.

On July 16, 2008, Eldorado acquired 95% of Frontier Pacific's outstanding common shares and became the Company's new joint venture partner at Macusani East.

(d) Macusani West, southern Peru

The Macusani West properties consist of 67 claims, totalling 56,500 hectares.

Due to their distinct locations and geological/logistical considerations, the projects have been separated into:

- Macusani West (54 claims 45,900 hectares)
- Macusani South Central (6 claims 5,300 hectares)
- Macusani South (7 claims 5,300 hectares)

Minimal work was done on the Macusani South Central property. Logistic expenditures of \$1,370 are included in the Macusani West property in the Resource Property schedule (note 7(f)).

(e) Picotani properties, southern Peru

The Picotani properties lie to the east of the Princesa-Pilunani Belt and consist of 8 claims totalling 6,606 hectares.

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For the years ended June 30, 2008 and 2007

7. RESOURCE PROPERTIES (Continued)

(f) Resource property expenditures and balances for the years ended June 30, 2008 and 2007 are:

	Macusani East	Macusani West	Macusani South	Picotani	Pilunani – Princesa Belt	Cullquimayo	Totals
Balance, June 30, 2007	\$ -	\$ 510,035	\$ 201,777	\$ 177,527	\$ 4,181,897	\$ 331,079	\$ 5,402,315
Deferred Exploration Costs							
Geology	577,860	437,178	466,415	134,491	327,748	-	1,943,692
Geophysics	61,352	535	103,652	-	1,344	-	166,883
Assays	68,167	6,045	20,149	9,398	19,318	-	123,077
Drillings	1,411,276	-	-	-	-	-	1,411,276
Logistics	278,739	78,202	199,894	129,870	169,482	4,928	861,115
Project management	148,776	35,047	50,869	21,142	18,430	1,433	275,697
Community relations	57,630	61,415	76,463	67,641	45,118	1,572	309,839
Fees, permits and licenses	148,403	155,736	15,925	19,987	42,233	31,800	414,084
Legal and accounting	67,766	1,094	2,708	5,214	5,458	1,434	83,674
Travel	36,693	36,023	44,879	8,499	10,109	704	136,907
VAT	-	119,432	148,994	57,278	92,404	8,004	426,112
Total Spending	2,856,662	930,707	1,129,948	453,520	731,644	49,875	6,152,356
Cost recovery	(525,000)	-	-	-	-	-	(525,000)
Advances for exploration, beginning of year	-	-	(201,777)	-	-	-	(201,777)
Advances for exploration, end of year	157,284	-	167,994	-	-	-	325,278
Balance, June 30, 2008	\$ 2,488,946	\$ 1,440,742	\$ 1,297,942	\$ 631,047	\$ 4,913,541	\$ 380,954	\$ 11,153,172

	Macusani East	Macusani West	Macusani South	Picotani	Pilunani – Princesa Belt	Cullquimayo	Totals
Balance, June 30, 2006	\$ -	\$ 135,433	\$ -	\$ 66,678	\$ 1,070,835	\$ 116,750	\$ 1,389,696
Deferred Exploration Costs							
Acquisition	-	-	-	-	192,945	31,779	224,724
Geology	27,106	37,144	-	46,580	393,789	71,914	576,533
Geophysics	-	58,621	-	12,026	155,193	-	225,840
Assays	-	-	-	-	29,211	8,758	37,969
Drillings	-	-	-	-	1,351,611	-	1,351,611
Logistics	748	19,452	-	2,747	728,117	10,410	761,474
Project management	-	16,817	-	19,169	114,594	-	150,580
Community relations	-	672	-	403	165,268	-	166,343
Fees, permits and licenses	15,329	185,397	-	17,442	67,318	56,391	341,877
Legal and accounting	25,006	27,577	-	3,971	82,214	18,461	157,229
Travel	1,066	20,925	-	5,727	104,182	11,425	143,325
VAT	-	7,997	-	2,784	65,572	5,191	81,544
Total Spending	69,255	374,602	-	110,849	3,450,014	214,329	4,219,049
Cost recovery	(69,255)	-	-	-	-	-	(69,255)
Write-off resource property	-	-	-	-	(338,952)	-	(338,952)
Advances for exploration	-	-	201,777	-	-	-	201,777
Balance, June 30, 2007	\$ -	\$ 510,035	\$ 201,777	\$ 177,527	\$ 4,181,897	\$ 331,079	\$ 5,402,315

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7. RESOURCE PROPERTIES (Continued)

(g) Realization of assets

The investment in and expenditures on resource properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

(h) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

(i) Title to mineral property interests

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

8. PROPERTY DISPOSAL

On April 26, 2007, the Company received 300,000 Frontier Pacific shares as an earn-in option payment on its Macusani East joint ventured property and realized a gain of \$225,000. The gain was offset by exploration expenditures of \$69,255 on the property and a write-off of \$338,952 on the Asnune and Carcuta properties, which management decided to abandon.

9. PROPERTY AND EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 84,152	\$ 15,995	\$ 68,157	\$ 51,834	\$ 5,198	\$ 46,636
Computer equipment	32,360	12,564	19,796	24,601	6,811	17,790
Field equipment	343,452	41,709	301,743	142,644	25,186	117,458
Computer software	4,079	3,403	676	3,215	2,120	1,095
Leasehold improvements	18,120	3,334	14,786	14,084	704	13,380
	\$ 482,163	\$ 77,005	\$ 405,158	\$ 236,378	\$ 40,019	\$ 196,359

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10. SHARE CAPITAL

- (a) Authorized
 Unlimited common shares without par value
- (b) Issued

	2008		2007	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	57,034,199	\$ 21,331,717	35,035,001	\$ 5,731,412
Pursuant to private placements (notes 10 (b) (i) and (ii))	-	-	13,545,454	12,350,000
Pursuant to exercise of warrants	-	-	6,678,744	3,350,487
Share issuance costs	-	-	-	(998,497)
Shares issued from exercise of options	525,000	220,000	1,475,000	495,600
Shares issued pursuant to property acquisitions	-	-	300,000	159,000
Reclassification of contributed surplus on exercise of options	-	106,654	-	243,715
Balance, end of year	57,559,199	\$ 21,658,371	57,034,199	\$ 21,331,717

- (i) On February 27, 2007, the Company raised aggregate gross proceeds of \$10,350,000 and issued a total of 9,000,000 units at \$1.15 per unit. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share of the Company at \$1.60 for a period of 18 months from closing. The Company has the right to accelerate the expiry date of the warrants should the common shares of the Company trade at or above a price of \$2.25 per share for 20 consecutive trading days at any time after four months and one day after the closing date.

The agents have been paid a cash commission of 6.5% of the gross proceeds from the sale of the units and have been issued 540,000 broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company at \$1.20 for a period of 12 months from closing. The agents' warrants were fair valued as a share issuance cost of \$286,200, using the Black-Scholes option pricing model with the following assumptions: no dividends are paid, a volatility of the Company's share price of 91%, expected life of the warrants of twelve months, and an annual risk-free rate of 3.93%. Legal and other share issuance costs of \$39,547 were incurred.

- (ii) On August 22, 2006, the Company completed a private placement issuing 4,545,454 units for a total of \$2,000,000. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.75 per share for 18 months. In the event the common shares of the Company trade on the TSX Venture Exchange at a price of \$1.00 or higher for 21 consecutive trading days, the placee will be obligated to exercise the warrant within 30 calendar days or the warrant will be cancelled.

On January 22, 2007, following a period where the Company's shares traded above \$1.00 for 21 consecutive days, 2,197,927 warrants for proceeds of \$1,648,445 were exercised.

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10. SHARE CAPITAL (Continued)

(c) Contributed surplus

Balance, June 30, 2006	\$ 543,732
Stock-based compensation	2,331,485
Reclassification of contributed surplus on exercise of options	(243,715)
Share issuance cost	286,200
Balance, June 30, 2007	2,917,702
Stock-based compensation	1,178,683
Reclassification of contributed surplus on exercise of options	(106,654)
Balance, June 30, 2008	\$ 3,989,731

(d) Warrants

The following summarizes the warrants that have been issued, exercised and expired during the years ended June 30, 2008 and 2007:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2006	4,480,817	\$ 0.37
Issued	7,312,727	\$ 1.31
Exercised	(6,678,744)	\$ 0.50
Expired	(74,800)	\$ 0.75
Balance, June 30, 2007	5,040,000	\$ 1.55
Expired	(540,000)	\$ 1.20
Balance, June 30, 2008	4,500,000	\$ 1.60

As of June 30, 2008 and 2007, the Company had share purchase warrants outstanding as follows:

Expiry Date	Exercise Price	Number of Warrants	
		2008	2007
August 27, 2008	\$ 1.60	4,500,000	4,500,000
February 27, 2008	\$ 1.20	-	540,000
		4,500,000	5,040,000

On August 27, 2008, 4,500,000 warrants at \$ 1.60 per share expired unexercised.

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10. SHARE CAPITAL (Continued)

(e) Stock options

The following summarizes the options that have been granted, exercised, cancelled or expired during the years ended June 30, 2008 and 2007:

	Number of Options	Weighted Average Exercise Price Per Share
Balance, June 30, 2006	3,055,000	\$ 0.41
Granted	3,215,000	\$ 1.19
Exercised	(1,475,000)	\$ 0.34
Cancelled	(165,000)	\$ 0.89
Balance, June 30, 2007	4,630,000	\$ 0.96
Granted	2,995,000	\$ 0.44
Exercised	(525,000)	\$ 0.42
Expired	(980,000)	\$ 0.49
Cancelled	(1,215,000)	\$ 0.87
Balance, June 30, 2008	4,905,000	\$ 0.81

Other than investor relations consultants, whose options vest in four equal instalments over the first 12 months, stock options vest 100% upon grant.

Stock-based awards are measured and recognized using a fair value based method. During the year ended June 30, 2008, the Company granted options to purchase up to 2,995,000 (2007 - 3,215,000) shares at the weighted average exercise price of \$0.44 (2007 - \$1.19) per share, with an estimated combined fair value of \$1,035,543 (2007 - \$2,479,785) on the grant date as determined using the Black-Scholes option pricing model.

Of the recognized stock-based compensation expense of \$1,178,683 (2007 - \$2,331,485), \$148,300 (2007 - \$nil) is related to options granted to consultants in 2007 that vested in 2008. The balance of \$1,030,383 is related to the options granted in 2008. Of the fair valued stock-based compensation expense of \$1,178,683 (2007 - \$2,331,485), \$906,369 attributes to directors and officers (2007 - \$1,588,740), \$96,152 attributes to employees (2007 - \$212,221), and \$176,162 attributes to consultants (2007 - \$530,524).

Due to vesting terms, \$5,160 in stock-based compensation for options granted in 2008 will not be recognized until 2009.

The fair value of each option grant is calculated using the following weighted average assumptions:

	2008	2007
Expected life (years)	5	2
Interest rate	3.93%	3.93%
Volatility	114%	126%
Dividend yield	0.00%	0.00%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

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10. SHARE CAPITAL (Continued)

(e) Stock options (Continued)

As of June 30, 2008 and 2007, the following share purchase options were outstanding:

Expiry Date	Exercise Price	Number of Options		Weighted Average Remaining Contractual Life (in years)
		2008	2007	
October 7, 2007	\$ 0.40	-	1,005,000	-
January 30, 2008	\$ 0.49	-	100,000	-
March 27, 2008	\$ 0.68	-	400,000	-
April 26, 2008	\$ 0.50	-	80,000	-
August 11, 2008	\$ 0.46	35,000	185,000	0.12
September 30, 2008	\$ 0.46	-	100,000	-
October 31, 2008	\$ 0.58	200,000	200,000	0.34
February 19, 2009	\$ 1.20	150,000	150,000	0.61
February 19, 2009	\$ 1.27	150,000	150,000	0.61
March 7, 2009	\$ 1.35	1,245,000	1,760,000	0.68
March 13, 2009	\$ 1.35	250,000	250,000	0.70
March 27, 2009	\$ 1.35	250,000	250,000	0.74
October 8, 2012	\$ 0.50	1,715,000	-	4.27
May 20, 2013	\$ 0.30	910,000	-	4.89
Total options outstanding	\$ 0.81	4,905,000	4,630,000	2.70
Total options exercisable	\$ 0.81	4,892,500	4,455,000	2.70

On August 11, 2008, 35,000 options at an exercise price of \$0.46 per share expired.

(f) Escrow shares

A total of 4,550,000 common shares were subject to an escrow agreement signed in 2004. Shares were subject to a time release over a three-year period as follows:

- (i) 10% - October 28, 2004 (released);
- (ii) 15% - 6 months after October 28, 2004 (released);
- (iii) 15% - 12 months after October 28, 2004 (or October 28, 2005) (released);
- (iv) 15% - 18 months after October 28, 2004 (or April 28, 2006) (released);
- (v) 15% - 24 months after October 28, 2004 (or October 28, 2006) (released);
- (vi) 15% - 30 months after October 28, 2004 (or April 28, 2007) (released); and
- (vii) 15% - 36 months after October 28, 2004 (or October 28, 2007) (released)

On October 26, 2006, there were an additional 157,500 escrow shares added from an exercise of warrants.

- (i) 33% - October 28, 2006 (released);
- (ii) 33% - 6 months after October 28, 2006 (or April 28, 2007) (released); and
- (iii) 33% - 12 months after October 28, 2006 (or October 28, 2007) (released)

As of June 30, 2008, all 4,707,500 shares in escrow have been released.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

	2008	2007
Available-for-sale financial assets:		
Balance, beginning of year	\$ -	\$ -
Adjustment to opening balance due to the new accounting policies adopted regarding financial instruments (note 4(k))	171,500	-
Unrealized gain	472,500	-
Balance, end of year	\$ 644,000	\$ -

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12. RELATED PARTY TRANSACTIONS

The Company has incurred charges from directors and officers of the Company and companies in which a director or an officer acts as a manager. These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

	2008	2007
Consulting fees paid to Nexus Consultants Inc., a company controlled by an officer	\$ 48,750	\$ 11,196
Rent paid to Nikora Investment Inc., a company controlled by an officer	\$ -	\$ 3,200
Accounts receivable from Doubloon Exploration Corp., a company with common officers and directors	\$ 15,000	\$ 68,795
Accounts receivable written off from Doubloon Exploration Corp., a company with common officers and directors	\$ 53,795	\$ -

13. INCOME TAXES

The components of future income tax assets are as follows:

	2008	2007
Future income tax liability		
Book value over tax value of resource properties	\$ (428,933)	\$ (137,359)
Future income tax assets		
Loss carry-forwards for		
Canadian income tax purposes	1,603,906	1,478,694
Excess of tax value over book value of equipment	23,646	13,654
Share issuance costs	121,991	217,456
	1,320,610	1,572,445
Valuation allowance	(1,320,610)	(1,572,445)
	\$ -	\$ -

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized.

The Company has available approximate capital losses of \$40,000 that carry-forward indefinitely and can be applied against future years' capital gains. The Company also has available non-capital losses of \$6,149,000 that may be carried forward to apply against future years' income for Canadian income tax purposes. The non-capital losses expire as follows:

Available to	Amount
2014	\$ 278,000
2015	572,000
2026	1,498,000
2027	1,966,000
2028	1,835,000
	\$ 6,149,000

The Company also has Peruvian Soles 273,494 in losses available to carry forward to future periods in its Peruvian subsidiary.

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13. INCOME TAXES (Continued)

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2008	2007
Income tax benefit computed at statutory rates	\$ 1,009,382	\$ 1,485,257
Permanent differences		
Stock-based compensation	(389,673)	(795,503)
Meals and entertainment	(431)	(2,355)
Temporary differences not recognized in year	43,580	(16,611)
Reduction in future income taxes due to statutory rate reduction	(511,279)	-
Unrecognized tax losses	(151,579)	(670,788)
	\$ -	\$ -

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not affect cash flows are excluded from the statements of cash flows.

During 2008, the following transactions were excluded:

- (a) 750,000 shares of Frontier Pacific, fair valued at \$525,000, received pursuant to the Macusani East option agreement; and
- (b) \$407,368 in accounts payable relating to resource property expenditures.

During 2007, the following transactions were excluded:

- (c) 300,000 shares of Frontier Pacific, fair valued at \$225,000, received pursuant to the Macusani East option agreement;
- (d) 540,000 agents' warrants issued and fair valued as a share issuance cost of \$286,000;
- (e) 300,000 shares of the Company, valued at \$159,000, issued pursuant to the Asnune and Carcuta option agreements; and
- (f) \$225,831 in accounts payable relating to resource property expenditures.

15. COMMITMENTS

- (a) The Company is committed to pay monthly office lease payments of \$5,408 from May 1, 2007 to April 30, 2009, \$5,599 from May 1, 2009 to April 30, 2011, and \$5,814 from May 1, 2011 to April 30, 2013. The future commitment is as follows:

2009	\$ 65,278
2010	\$ 67,188
2011	\$ 67,618
2012	\$ 69,768
2013	\$ 58,140

- (b) On June 26, 2008, the Company engaged a financial advisor for a period of four months at a cost of \$15,000 per month.

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16. SEGMENTED DISCLOSURE

The following geographic data references assets based on their physical location. The Company has interests in Peru and Canada:

2008				
	Peru	Canada	Total	
Current assets	\$ 203,420	\$ 5,005,114	\$ 5,208,534	
Resource properties	11,153,172	-	11,153,172	
Property and equipment	312,850	92,308	405,158	
	\$ 11,669,442	\$ 5,097,422	\$ 16,766,864	

2007				
	Peru	Canada	Total	
Current assets	\$ 75,754	\$ 11,877,504	\$ 11,953,258	
Resource properties	5,402,315	-	5,402,315	
Property and equipment	-	196,359	196,359	
	\$ 5,478,069	\$ 12,073,863	\$ 17,551,932	