

Management's Report

The accompanying financial statements of Solara Exploration Ltd. have been approved by the Board of Directors and have been prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with these financial statements. In preparing this report, the Corporation undertakes steps to ensure the information presented is accurate and conforms to applicable laws standards, including:

- The Board of Directors and management have established corporate government practice that are consistent with guidelines set out in the report issued by the Toronto Stock Exchange Committee on the Corporate Governance in Canada.
- Management maintained accounting control systems designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, financial records are accurately maintained and statements are generated in a timely manner.
- The Board of Directors oversees the management of the business and affairs for the Corporation including ensuring management fulfills its responsibility for financial reporting, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.
- The Audit Committee of the Board of Directors, comprised of three members considered to be “outside and unrelated” directors, has reviewed the financial statements with management and the external auditors.
- An independent firm of chartered accountants appointed as external auditors by the shareholders, has audited the financial statements and its report is attached.

Donald R. Holding
President and Chief Executive Officer

James E. Lawson
Chief Financial Officer

April 24, 2009

Auditors' Report

To the Shareholders of Solara Exploration Ltd.

We have audited the balance sheets of Solara Exploration Ltd., as December 31, 2008 and 2007 and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 also 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 financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 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.

Chartered Accountants
Calgary, Canada

April 24, 2009