

Sao Luis Mining, Inc.
Balance Sheet
(Unaudited)

| | June 30, 2006 | July 31, 2006 |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| | ----- | ----- |
| ASSETS | | |
| Current assets: | | |
| Cash | -0- | \$500,000 |
| | ----- | ----- |
| Total assets | -0- | 500,000 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accrued liabilities | 59,601 | 60,801 |
| Due to related party | 10,760 | 15,052 |
| Accrued officers compensation | 60,000 | 80,000 |
| Accrued consulting fees | 120,000 | 160,000 |
| | ----- | ----- |
| Total liabilities | 250,361 | 315,853 |
| | ----- | ----- |
| Shareholders' equity (deficit): | | |
| Preferred stock; \$0.001 par value; none issued or outstanding | | |
| Common stock; \$0.001 par value; 38,983,400 and 39,983,400 issued and outstanding at June 30, 2006 and July 31, 2006, respectively | 38,983 | 39,983 |
| Additional paid in capital | 1,262,170 | 1,761,170 |
| Accumulated deficit | (1,551,514) | (1,617,006) |
| | ----- | ----- |
| Total shareholders' equity (deficit) | (250,361) | 184,147 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$0 | \$500,000 |
| | ===== | ===== |

Sao Luis Mining, Inc.
Statement of Operations
For the year ended June 30, 2006
And the one month ended July 31, 2006
(Unaudited)

| | June 30, 2006 | July 31, 2006 |
|---------------------------------------|---------------|---------------|
| | ----- | ----- |
| Legal expenses | \$55,807 | \$-0- |
| Consulting fees | 120,000 | 40,000 |
| Officers compensation | 60,000 | 20,000 |
| General and administrative expenses | 154,346 | 5,492 |
| | ----- | ----- |
| Net loss | \$390,153 | \$65,492 |
| | ===== | ===== |
| | | |
| Net loss per share, basic and diluted | \$0.01 | \$0.00 |
| | ===== | ===== |
| | | |
| Weighted average shares outstanding | 38,983,400 | 39,983,400 |
| | ===== | ===== |

Sao Luis Mining, Inc.
Notes to Financial Statements

NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION

Sao Luis Mining, Inc. (the "Company") is a Colorado corporation, engaged in the exploration and extraction of diamonds and other precious metals.

The number of shares outstanding reflects a forward 40 for 1 stock split that took place in May 2006.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts

of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with a maturity of three months or less, when purchased, to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets (primarily three to five years). Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life. Costs of maintenance and repairs are charged to expense as incurred.

Recoverability of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets on a periodic basis whenever events and changes in circumstances have occurred which may indicate a possible impairment. The assessment for potential impairment is based primarily on the Company's ability to recover the carrying value of its long-lived assets from expected future cash flows from its operations on an undiscounted basis. If such assets are determined to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Property and equipment to be disposed of by sale is carried at the lower of the then current carrying value or fair value less estimated costs to sell. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if an event indicates that the asset might be impaired. In accordance with SFAS No. 142, the fair value of these intangible assets is determined based on a discounted cash flow methodology.

Revenue Recognition

Revenues from services are recognized when the goods are sold, evidence of an arrangement exists, the price is fixed and determinable and collectibility is probable. In circumstances when these criteria are not met, revenue recognition is deferred until resolution occurs.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes

The Company accounts for income taxes utilizing the liability method of accounting. Under the liability method, deferred taxes are determined based on differences between financial statement and tax bases of assets and liabilities at enacted tax rates in effect in years in which differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts that are expected to be realized.

Earnings (Loss) Per Share of Common Stock

Basic net (loss) per common share ("EPS") is computed using the weighted average number of common shares outstanding for the period. Diluted earnings per share includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for the periods presented.

The following is a reconciliation of the computation for basic and diluted EPS:

There were no options or warrants to purchase shares of common stock at June 30, 2006.

NOTE 3: STOCKHOLDERS' EQUITY (DEFICIT)

Preferred Stock

There are no preferred shares issued and outstanding as of June 30, 2006. There are 5,000,000 shares authorized.

Common Stock

At June 30, 2006 and July 31, 2006, there are 50 million shares of \$0.001 par value common stock authorized, and 38,983,400 and 39,983,400 common shares issued and outstanding, respectively.

In May 2006, the Company's board of directors approved a forward 40 for 1 stock split.

NOTE 4: PROVISION FOR INCOME TAXES

Deferred income taxes are determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes are measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

At December 31, 2005, deferred tax assets consist of the following:

At June 30, 2006, the Company had a net operating loss carry forward in the approximate amount of \$1,301,000, available to offset future taxable income through 2024. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

NOTE 5: SUBSEQUENT EVENTS

Sale of Securities

In July 2006 the Company issued 1 million common shares and warrants to purchase one million common shares for cash consideration of \$500,000. The warrants have an exercise price of \$0.50 per share, are exercisable immediately and expire in July 2010.

Investment in Joint Venture

In July 2006 the Company purchased a 51% interest in a joint venture. This joint venture owns an existing diamond mine consisting of two properties and a processing plant located in Brazil. The acquisition requires the Company to pay the other venture partner \$1 million and issue 4 million shares of common stock, and contribute \$4.5 million to the joint venture. These amounts are due in irregular monthly payments through July 2007.

The Company paid \$300,000 to the joint venture partner and contributed \$100,000 to the Joint Venture from the proceeds of the private placement offering. The \$100,000 balance of the proceeds of the private placement will be used by the Company for general and administrative expenses.