Introduction

The following management discussion and analysis has been prepared as of November 25, 2010. It should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2010. The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and all numbers are reported in Canadian dollars, unless otherwise stated.

This discussion contains forward-looking statements that involve inherent risks and uncertainties. The reader is cautioned that actual results may differ materially from those anticipated in the forward-looking statements. Additional information relating to the Company can be found on SEDAR at www.sedar.com and the Company's website: www.solomonresources.ca

Background

Solomon Resources Limited ("Solomon" or "the Company") is a junior mineral exploration company listed on Tier I of the TSX Venture Exchange, symbol SRB. Its assets consist principally of mineral properties and cash. The Company funds its operations either through the sale of shares of the Company or through the sale of its marketable securities. The mineral exploration business is very high-risk. The most significant risks for the Company are:

1. The chances of finding an economic ore body are remote.
2. The junior resource market, where the Company raises funds, is volatile and there is no guarantee that the Company will be able to raise funds as it requires them.
3. The political risk associated with working in jurisdictions outside of Canada.

Other risk factors include the establishment of undisputed title to mineral properties, environmental concerns and the obtaining of governmental permits and licences when required.

Executive summary

This has been a year of consolidation and progress for the Company building on the changes that took place in 2009, when the Company acquired and focused on new projects, consolidated its share capital and made certain changes to management.

Success as a junior resource issuer is measured in part by an issuer's ability to raise capital to fund the acquisition and exploration of mineral properties of merit. That ability to raise capital is to an extent dependant on favourable economic conditions, the state of junior capital markets, commodity prices, the availability of suitable projects and investor confidence in management's ability.

In fiscal years 2009 and 2010 the Company raised approximately $ 1,930,000 from the issue of share capital and approximately $ 1,050,000 from the sale of investments. Subsequent to July 31, 2010 the Company has raised approximately $1,380,000 (net) from the issue of share capital.

The Company engages in a continual process of SWOT analysis: carefully assessing strengths, weaknesses, opportunities and threats to support exploration activities. The Company strives through internal economies and careful shepherding of capital to ensure that financial resources are primarily applied to exploration and that overhead costs are minimized.

The Company has active exploration interests in the Yukon Territory and British Columbia and dormant interests in Alaska. The Company does not plan to carry out any further exploration in Mongolia and is seeking a joint venture partner for its interests in that jurisdiction.

The Company will continue to focus its efforts in the near term on its gold exploration projects in Western Canada. Plans for the 2011 field season include further geochemical and geophysical work and an expanded diamond drill program at the Ten Mile Creek Gold Project in the White Gold District of the Yukon Territory, and the preliminary appraisal of the Pacer and Rosie claims staked by the Company in the fall of 2010 in the Kluane and Ruby Ranges of the Southwest Yukon. Further staking of 100% owned claims in the Southwest Yukon will continue as suitable ground is identified. The continuation of exploration and diamond drilling at the Cry Lake Gold Project in British Columbia will depend on the granting of permits for an expanded program and negotiation of favourable terms for an extension of the existing option agreement with Kaminak Gold Corporation.

The Company will continue to develop and assess exploration projects in other jurisdictions or for commodities other than gold as a hedge against longer term economic uncertainty.

Exploration activities for the years ended July 31st, 2009 and 2010 and for the period from August 1st, 2010 to date, by jurisdiction:

Canada: Yukon Territory

For the year ended July 31st, 2009:

The Company continued to evaluate a number of prospective exploration targets and property submissions in the Yukon Territory, focussing on epithermal gold, volcanogenic massive sulphide, magmatic nickel-copper-platinum-palladium, and copper-gold skarn prospects in the Aishihik-Kluane District and the evolving White Gold/60 Mile River area south of Dawson City.

For the year ended July 31st, 2010:

Ten Mile Creek Gold Project

During the year ended July 31, 2010 the Company capitalized $583,936 on the Ten Mile Creek project of which $144,000 represented 600,000 shares issued to Radius Gold Inc. (see below) valued at $0.24 each and $100,000 was a cash payment to Radius in terms of the option agreement. The balance of $339,936 was spent on exploration costs.

On September 22nd, 2009 the Company was granted an option by Radius Gold Inc. (TSX-V.RDU) to acquire a 51% interest in the Ten Mile Creek Property in the Dawson Mining District of the Yukon Territory.

The terms of the option agreement include:

- Issue of 500,000 shares common shares of Solomon upon signing and TSX approval of the transaction.

- Cash payment of $100,000 and issue of 100,000 common shares of Solomon on May 21st, 2010, and work commitment of $350,000 during the 2010 exploration season;

- Cash payment of $150,000 and issue of 150,000 common shares of Solomon on May 21st, 2011, and work commitment of $650,000 during the 2011 exploration season;

- Cash payment of $250,000 and issue of 250,000 common shares of Solomon on May 21st, 2012, and work commitment of $1,500,000 during the 2012 exploration season.

Radius holds an option to acquire the Ten Mile Creek Property from a third party subject to a 1.0% net smelter returns royalty in favour of that party and a 1.5% net smelter returns royalty in favour of Teck Resources Limited. The Radius option is exercisable by making payments of $375,000, of which the last $100,000 can be satisfied by issuing 400,000 shares of Radius, and advance royalty payments of $10,000 per year to the optionor. The 1.0% NSR royalty may be reduced to 0.5% by a payment of $500,000 or to 0.25% by a payment of $1,000,000 to the optionor. On completion of the earn-in a 51/49 joint venture will be formed between Solomon and Radius Gold Inc. The joint venture would share all costs related to the project on a pro rated basis.

Ten Mile Creek is located 75 kilometers south of Dawson City, Yukon Territory and is in an active placer gold mining camp with significant historical production.

The Ten Mile Creek Property was staked by Teck Resources Limited in 1998 during the same project in which Teck staked the area now covered by Kinross Gold Corp.'s White Gold Property to the southeast. Teck worked intermittently on both properties from 1998 through 2000 with geological mapping, soil geochemical surveys and trenching and identified five diamond drill targets but in late 2000 changed their exploration focus and dropped all their Yukon interests.

Teck's program delineated five distinct mineralized zones each of which appeared to occur in Mesozoic quartz monzonite intrusive bodies intruded by dykes of porphyritic rhyolite of probable late Cretaceous age. The gold mineralization appeared spatially related to the contact of the intrusive bodies with high grade metamorphic rocks. The Ten Mile Creek property subject of the Solomon – Radius option agreement comprises 266 Mineral Claims located under the *Yukon Quartz Mining Act.*

Pacer and Rosie Claims

During the year ended July 31, 2010 the Company spent $5,001 in pre-staking exploratory costs on this project.

Subsequent to August 1st, 2010:

Ten Mile Creek Gold Project

Subsequent to August 1, 2010 the Company spent a further $416,555 on this project, all of which has been for exploration costs.

On October 12th, 2010 Solomon acquired a further 43 mineral claims to protect the northern extension of the mineralized zones discovered in 2010 on the JV claim group as well as the southeastern flank of the Ten claim group which has yet to be explored.

The objective of Solomon's 2010 field exploration program was to re-evaluate the mineralization discovered to date on the property in the light of new geological, structural and mineralogical information gained from exploration at other projects in White Gold Camp.

The primary target for the 2010 exploration season was the Jual Vein System located in the JV claim group which is characterized by numerous northwesterly trending, flat to moderately dipping quartz veins and stockworks with gold values identified by Teck ranging from 8 to 16 grams per tonne (g/t) gold. Trenching conducted by Teck of selected soil geochemical anomalies yielded results of 1.6 g/t gold over 25 meters (including 11.1 g/t gold over three meters) and 1.0 g/t gold over 19 meters (including 8.5 g/t over 1.5 meters).

As the results from the 2010 soil geochemical and surface geophysical surveys were received, it became readily apparent that the Jual Vein System, which had been the initial focus of the Solomon exploration program, was a very small component of a much larger gold target on the northernmost JV claim group extending over an area 3.0 kilometers by 1.5 kilometers in extent. Three extensive new soil geochemical anomalies were discovered within this broad target area, and the high gold values up to 1436 parts per billion (ppb) gold (1.436 grammes/tonne) and 4630 parts per million (ppm) arsenic and the pronounced linearity of these anomalies suggest that the Jual Vein System is a spatially limited expression of what may be an extensive structurally controlled gold system that dominates the northernmost JV claim group.

The geological setting of the project area was observed in the 2010 field program to consist primarily of Permian metamorphic rocks locally exhibiting schistose to gneissic deformation. The schists are mainly silicic and micaceous and the gneiss appears to be of felsic intrusive origin. A large Jurassic-Cretaceous granitic to monzonitic (locally highly silicic) intrusive body underlies the central portion of the property and mapping indicates that a larger and possibly coeval intrusive body underlies a portion of the northern JV claim group. Late stage feldspar porphyry dykes related to the Carmacks Volcanic package cut through the country rock in a northerly trend. The Paleozoic rocks exhibit a regional foliation characterized by high strain transposition of layering in the gneiss and schist with abundant intrafolial isoclinal folding that appears to be rootless. The intensity of strain locally grades to mylonitic facies. Primary compositional layering in metasedimentary rocks, unit contacts, and a pre-existing foliation can be traced around closures of the transposition folds, indicating they are at least S2 structures. Secondary deformation appears to accompany the regional metamorphism, which occurred during the mid-Permian. Mapping of the area has proven difficult due to a paucity of outcrop, and geochemical soil sampling and ground geophysical surveys were largely employed to identify anomalous zones, as well as mechanized trenching to expose subsurface material for sampling and assay.

A total of 2,650 soil geochemical samples were taken on grids established in the central portion of the JV claim group and the northern portion of the Ten Mile claims during the 2010 field season. Samples were collected by Solomon field crews and its contractor Ryanwood Exploration.

Four significant soil geochemical anomalies were discovered in the 2010 field program:

> The **Skukum Zone** is a significant sinuous gold in soil geochemical anomaly located on the JV claim group approximately 900 meters by 700 meters in extent with values up to 1436 parts per billion (ppb) gold and 4630 parts per million (ppm) arsenic.
>
> The **Jack London Zone** is located one kilometer north of the Skukum Zone and is a soil geochemical anomaly 1600 meters by 600 meters in extent with a peak soil geochemical

value of 260 ppb Gold. This highly prospective target will be trenched early in the 2011 exploration season.

The **Sourdough Joe Zone** is located one kilometer north-northeast of the Jack London Zone and is an elongated east-west soil geochemical anomaly measuring 1400 meters by 300 meters with a peak soil geochemical value of 141 ppb Gold. This highly prospective target will also be trenched early in the 2011 exploration season.

The **Klondike Kate Zone** is an east-west anomaly in the northern portion of the Ten Mile claim group four kilometers east of the Skukum Zone measuring approximately 1600 meters in length and 400 meters in width with gold in soil geochemical results as high as 698 ppb gold and 570 ppm arsenic.

The newly discovered Skukum Zone, Jack London Zone and the adjacent Sourdough Joe Zone are immediately upstream of the Ten Mile Creek Placer Gold camp, which was actively mined in the 2010 field season and where placer gold being recovered in the 2010 season was observed to be coarse and angular with relict quartz vein material which suggests that the gold has not travelled far from a bedrock source.

Mechanized trenching was conducted in the 2010 exploration program and all the trenches excavated in the 2010 field season returned anomalous gold values and mineralization consistently appeared to be structurally controlled.

Six "NQ" Size diamond drillholes were completed in the 2010 field season to a total depth of 800 meters. Drilling was contracted to Kluane Drilling Ltd. of Whitehorse. A significant increase in exploration in the Dawson Range during the 2010 field season stretched the capacity of analytical labs to the limit and assay results from the Ten Mile Creek Gold Project typically took from six to eight weeks to receive.

DDH2010-1 thru DDH2010-3 were drilled on the southernmost Ten Claims to test the Klondike Kate soil geochemical anomaly which returned gold values as high as 697 ppb in a linear east-west anomaly 1600 meters in extent. Gold values up to 159 ppb were obtained in assays of mineralized sections of the drill core in these three holes.

DDH2010-4 thru DDH2010-6 were drilled on the newly discovered Skukum Zone on the JV claim. Gold values in these drill holes were markedly better than those seen in the Ten Claim area, and DDH2010-04 returned 14.0 meters grading 0.19 g/T gold from 9.0 to 23.0 meters depth and 8.0 meters grading 0.22 g/T gold from 40.0 to 48.0 meters depth, the latter including 2.0 meters grading 0.63 g/T gold from 44.0 to 46.0 meters depth. DDH2010-05 returned 11.0 meters grading 0.39 g/T gold from 5.0 to 16.0 meters depth and 22.0 meters grading 0.40 g/T gold from 31.0 to 53.0 meters depth, the latter including 2.0 meters grading 0.88 g/T gold from 33.0 to 35.0 meters depth.

An operational decision was made in late September to suspend drilling at Ten Mile Creek after DDH2010-06 was completed to allow the assay results to catch up to the drill program. While highly prospective targets remained undrilled the Company felt it was prudent to have the results of the early diamond drill holes in hand prior to committing to further drilling.

Gold mineralization discovered to date at the Ten Mile Creek Gold Project appears to be associated with late stage faults and fracture sets crosscutting regional foliation. The relationship between magmatism and at least three stages of structural deformation and how they relate to gold mineralization is only now becoming understood as the Ten Mile Creek Gold Project and surrounding properties in the White Gold Camp are explored.

The 2010 program identified previously unknown intrusive rocks in the northernmost JV claims, and there is clear evidence of polymetamorphism with overlapping tectonic and thermal metamorphic that remain poorly understood. The diamond drilling completed in the 2010 field season was largely directed at providing a better understanding of the geological provenance of the property and to set the stage for drilling the highly anomalous soil geochemical anomalies discovered this year.

Gold and arsenic in soil geochemical samples appear to be the most reliable indicator of gold mineralization at this property with some variation at the local scale. On the southernmost Ten Mile claims arsenic values in soil show a close correlation with higher gold values whereas on the JV claims arsenic values in soil appear to be more broadly dispersed as haloes around higher gold values.

The gold mineralization discovered to date is marginally sub-economic but the huge linear gold in soil geochemical anomalies on the northernmost JV claims, which remain open to the northwest and east, suggest that we have only scratched the surface of this highly prospective property.

Pacer and Rosie Claims

Subsequent to August 1, 2010 the Company has spent a further $35,064 on these claims, of which $13,800 was for staking costs and the balance for preliminary exploration.

The Pacer 1 – 56 Claims (Grant Number YD90841-YD90896) are located in the Whitehorse Mining District of the Yukon Territory approximately five kilometers west of the town of Haines Junction in the Front Ranges of the Kluane Mountains. The Pacer claims were staked to protect an historical gold occurrence and highly prospective gold targets indicated by regional stream geochemical surveys, airborne geophysics and surface exploration conducted by the Company in September of 2010. The Pacer Claims are 100% owned by the Company.

The Rosie 1 – 32 Claims (Grant Number YD90897-YD90928) are located in the Whitehorse Mining District of the Yukon Territory approximately fifty-five kilometers northeast of the town of Destruction Bay. The Rosie claims were staked to protect a highly prospective epithermal gold target identified by the Yukon Geological Survey in 2010 located north and west of Sekulman Lake indicated by regional stream sediment geochemical surveys and surface exploration conducted by the Company in September of 2010. The Rosie Claims are 100% owned by the Company.

Canada: British Columbia

For the year ended July 31st, 2009:

Bonanza-Sitka Gold Property

During the year ended July 31, 2009 the Company spent $201,988 on this project, of which $25,000 was the agreed value of 50,000 shares issued and $15,000 was a cash payment to the owner. The balance of the spending was for exploration.

On March 26th, 2009 Solomon entered into an option agreement with Cazador Resources Ltd. of Peachland, British Columbia to acquire a 60%, or if it so elects, a 100% interest in the Bonanza-Sitka Property located forty kilometers northeast of Port Hardy, British Columbia.

The Bonanza Property covers a contiguous area of 2422 hectares which includes the original Cazador-owned tenures and additional mineral claims acquired under the area of influence of the option agreement. To acquire a 60% interest in the property, Solomon was required to pay $160,000 and issue 350,000 shares to Cazador over three years. Solomon could acquire the remaining 40% interest by paying a $100,000 and issuing 150,000 shares to Cazador by the end of the fourth year. If Solomon fully exercised the option, Cazador would be granted a 2.5% net smelter returns royalty on the property. Should the property be placed into commercial production, Solomon could purchase the royalty from Cazador until the fifth anniversary of the commencement of commercial production for $1,500,000. If Solomon only acquired a 60% interest in the property, it would form a joint venture with Cazador for the further exploration of the property. Solomon would be the operator of the joint venture. The issuance of the shares was be subject to TSX Venture Exchange approval.

The Bonanza-Sitka Property is located east of the Queen Charlotte Strait on the Central Coast of British Columbia. The property is situated on the north side of Mt. Bullock between Drury Inlet and Lee Lake, forty kilometres northeast of Port Hardy and forty-three kilometres north of Port McNeill. The property has been logged in recent years, and the network of logging roads is readily accessible from a barge landing at Creasy Bay.

The Bonanza-Sitka Property is underlain by the Jurassic-Cretaceous Coast Plutonic Complex, and includes a northwesterly trending roof pendant of metavolcanic greenstone and phyllic to thinly laminated graphitic to calcareous argillite and quartzite. Gold mineralization was first reported by local prospectors on the north slope of Mount Bullock as early as 1945 and the Bonanza-Sitka Property was explored briefly by Cominco Limited in 1980 and American Bullion Minerals Limited in 1987.

The primary gold mineralization identified to date is located in a single quartz vein shear within an argillite sequence, which contains massive to disseminated pyrite, galena, chalcopyrite, sphalerite and bornite. Gold appears to correlate with the more intense silica flooding within mineralized quartz veinlets, veins and boudinage with disseminated to massive sulphides; higher gold values are typically associated to correspondingly higher values of lead and zinc. The vein has been exposed by trenching over a strike length of 280 meters with a mean width of 1.55 meters and an average grade of 3.39 grams per tonne gold. Selected samples of sulphide rich material collected by previous operators have reported assays as high as 77.40 grams per tonne gold.

The focus of the 2009 exploration program was to explore the extension of the primary vein structure to determine if comparable multiple vein systems are present within the Bonanza-Sitka Property.

The 2009 field program extended over eight weeks and included geological mapping with particular emphasis on the structural control of the mineralization. The mineralized showings and trenches from earlier operators were re-opened and sampled and thirty kilometers of new grid lines were established to facilitate soil geochemical sampling and a VLF-EM geophysical survey. A total of 468 soil and silt samples were collected, as well as 68 rock chip samples.

The most prospective trench from previous programs on the claims (Trench D) was re-opened along a twenty meter strike length. The geology of this particular showing is structurally complex, with evidence of duplex structures and at least two phases of mineralization. A massive amorphous quartz vein dominates the strike of the showing, which is hosted in argillite. The upper contact of the quartz vein shows evidence of being re-worked with later phases of fluid inclusions. The quartz has been re-crystallised, with crystals rimmed by sphalerite, magnetite and pyrrhotite. The surface is heavily hematised. While sampling by earlier operators consisted primarily of grab samples, the 2009 The Company program included channel samples along the strike of the trench at two metre intervals. Five channels were cut, with the hope of establishing a representative grade of the showing.

Cry Lake Gold Project

During the year ended July 31st , 2009 the Company spent $13,714 in early stage preparatory work on this project.

On July 7th, 2009 the Company entered into an agreement to buy Avasca Inc., a private British Columbia corporation, for $154,000. Avasca's sole asset was an option to acquire a 51% interest in the Cry Lake (formerly 'Nizi Creek') Property in the Liard Mining Division, British Columbia from Kaminak Gold Corporation of Vancouver, British Columbia. The property is subject to a 2% underlying net smelter return royalty in favour of a third party.

The option is exercisable by the Company issuing 400,000 units to Kaminak in four tranches of 100,000 each over a period of three years and carrying out exploration with a cumulative value of $2,000,000 (of which the first $50,000 is a firm commitment) by December 31, 2011. Each unit consists of one common share of the Company and one share purchase warrant to purchase a further common share for one year at the market price of the Company's shares at the time of the Exchange approval or, for the second, third and fourth tranches, at the market price of the time of issuance if that price is higher than the market price at the time of Exchange approval. Upon exercise of the option, the Company and Kaminak will form a joint venture with the Company as operator. If Kaminak's interest is reduced to 5%, it will be converted to a 1% net smelter return royalty and, if Solomon's interest is reduced to 5%, it will be converted to a 2% net smelter return royalty.

The Cry Lake Property is located 80 kilometers northeast of Dease Lake, British Columbia. The property lies within the Sylvester Allochthon, a set of thrust-bounded terranes which host gold-bearing epithermal type veins associated with felsic volcanic rocks.

Gold mineralization on the Cry Lake Property is associated with shears, faults and fractures within the poorly understood and highly metamorphosed Rapid River tectonite. The seven mineralized zones identified to date extending over a northwesterly-elongated area two kilometers long and one kilometer wide, are the Zinc Lake Zone, Discovery Vein / Surprise Vein, Grizzly Ridge Vein, H Zone, Gully A Zone and B Zone. A new mineralized zone known as the Hill Zone was identified by British Columbia Geological Survey Branch in 1997.

Two distinct styles of mineralization have developed within an intermediate to felsic volcanic sequence in a structural regime of strike-slip and related faulting: sulphide-poor gold-silver-quartz veins and stockworks associated with pervasive silicification and sulphide-rich iron carbonate-sphalerite-galena veins associated with pervasive carbonate alteration.

The gold and silver-bearing quartz veins and stockworks consist of microcrystalline to very fine-grained white to grey quartz and carbon, commonly with white subhedral to euhedral barite, finely disseminated pyrite and minor iron carbonate. Gold and silver occur as electrum, which forms tiny grains intergrown with the sulphides and sulphosalts, or included within them. Significant gold mineralization is consistently associated with discrete zones of quartz-carbon-pyrite-barite-carbonate silicification rather than pervasive quartz flooding.

Channel samples of the Discovery Vein by earlier operators returned the following selected high-grade values: 27.09 grams per tonne (g/t) gold and 1220.6 g/t silver over 2.0 meters; 15.09 g/t gold and 1073.2 g/t silver over 3.5 meters and 8.91 g/t gold and 596.6 g/t silver over 1.0 meter (British Columbia Geological Branch Assessment Report 22840). Limited shallow drilling by earlier operators, including Madrona Mining Limited in the mid 1990's, confirmed the surface assays but to date no deeper drilling has been conducted. A program of geological and structural mapping and petrographic studies conducted in 2007 by Romios Gold Resources Inc. suggested that the known stockwork mineralization may represent the upper portion of a larger vein system at depth, and a series of diamond drill targets was proposed but never tested.

The Discovery Vein represents the best exploration target to date identified on the Cry Lake Property, with assay values up to 41.0 g/t gold although more typical channel samples returned 1.5 to 30.0 g/t gold and 190 to 1200 g/t silver over widths of 1.0 to 2.0 meters.

The Company's 2009 field program was designed to complete the geological and structural mapping initiated in 2007 and undertake preliminary diamond drilling to test the Discovery Vein at depth.

Col - Magnet Property

Given the mixed results of the exploration program to date and depressed market conditions it was determined that the cost of maintaining the option payments due to Indata Resources Ltd. and Nation River Resources Ltd. was not warranted and the option was accordingly abandoned on December 5th, 2009. The mineral tenures subject of the option agreement were returned to Indata Resources Ltd. and Nation River Resources Ltd. while Solomon retained a number of mineral tenures peripheral to the option ground.

There was no exploration conducted on the surviving Solomon tenures in this period.

Bowron Coal Project

Despite several initial expressions of interest from third parties, declining market conditions precluded the sale or joint venture of the Bowron Coal Project and the lease was allowed to lapse on June 28th, 2009.

For the year ended July 31st, 2010:

Bonanza-Sitka Gold Property

During the year ended July 31, 2010 the Company spent a further $30,503 in exploration costs on this project. Significant grades up to 37.0 grams per tonne gold and 60 grams per tonne silver over one 30 centimeter width were returned from the 2009 trenching. The average width of mineralization in Trench D was 2.10 meters and in samples assayed to date the average grade was observed to be 4.34 grams per tonne gold and 11.28 grams per tonne silver, including one interval of 12.7 grams per tonne gold and 31.37 grams per tonne silver over 60 centimeters.

Upon receipt of complete assay results from the Solomon trenching program and detailed interpretation of geological mapping and geophysical data it was determined that the gold mineralization in local trenches was spatially limited and the prospects for developing tonnage along strike was minimal. Accordingly, the option with Cazador was terminated. Once the decision was taken not to continue with the project the Company wrote off its previous spending and incurred a charge in the year of $232,491.

Cry Lake Gold Project

During the year ended July 31, 2010 the Company spent $572,890 on this project of which $30,000 was the agreed value of 100,000 shares issued and $18,144 was the fair value of warrants issued to the optionor. The balance was spent on exploration.

The Company mobilized a field crew to the Cry Lake Property in mid-August of 2009 and an exploration program comprising diamond drilling, geological mapping and sampling of an extended soil geochemical grid was conducted until October 9th, 2009.

Two diamond drill holes tested the Discovery/Surprise Vein at depth. Drill Hole DDH-CL09-01 was drilled to a depth of 185 meters at -47 degree dip and 215 degree azimuth and DDH-CL09-02 was drilled from the same collar at -60 degree dip and 215 degree azimuth and completed to a depth of 231 meters.

Subsequent to August 1st, 2010:

Cry Lake Gold Project

Due to unforeseen delays in obtaining work permit approval from the Province of British Columbia and ongoing issues surrounding First Nation consultation the Company did not incur any further expenditure on this project. The Company has initiated discussions with Kaminak Gold Corp. to extend the work commitment provisions of the option agreement. The Company has not issued any further units (of one share and one warrant) to the optionor.

<u>Canada: Ontario</u>

For the year ended July 31st, 2009:

Goldcreek Archean Lode Gold / Volcanogenic Massive Sulphide Project

During the year ended July 31, 2009 the Company spent $817,277 on this project, of which $100,000 was an upfront cash payment on signing the option agreement and $50,000 was the agreed value of 38,500 shares issued to the optionor (see below).

On September 22nd, 2008 the Company signed a Letter of Intent with Mengold Resources Inc (MNI: TSX-V) to earn up to a 50% interest in the Goldcreek Archean Lode Gold / Volcanogenic Massive Sulphide Project located approximately 70 kilometres west of Thunder Bay, in the Shebandowan area of Northwestern Ontario. The 90 contiguous claims cover 17,248 hectares in Conacher, Duckworth, Horne, Laurie and Sackville Townships.

The Company can earn up to a 50% interest in the Property by conducting an exploration program over three years totalling $ 5,400,000, making a $100,000 cash payment to Mengold Resources Inc. and issuing common shares of the Company to Mengold worth $ 375,000 over three years (the initial $50,000 tranche has been satisfied by the issuance of 385,000 shares at a deemed value of $ 0.13 per share).

The Goldcreek Property is located 14 kilometres east-southeast of Inco's Shebandowan Mine which has reported historical production of 2.6 million tonnes grading 2.25% nickel, 1.0% copper and 2.68 grams/tonne platinum group elements in mafic to ultramafic rocks.

The Goldcreek Property is located in the Shebandowan Greenstone belt of the Wawa Subprovince of the Superior Province of the Canadian Shield.

The Goldcreek property is highly prospective for lode gold in Neo-Archean quartz-carbonate veins and volcanogenic massive sulphides. Bonanza grade gold mineralization has been confirmed by the Company's due diligence examination and Mengold has found strong gold, copper, and zinc soil geochemical anomalies across a 5 kilometre by 1.5 kilometre grid in the "Center Zone" of the property that together with geological and geophysical evidence suggest potential for volcanogenic massive sulphide mineralization.

The Company and Mengold geological staff compiled exploration data from previous work and a diamond drill program commenced on November 4th, 2008 and was concluded on December 12th, 2008. A total of 13 drill holes comprising 2,212 meters were completed in this period.

Drilling for the 2008 field season was conducted with a CS-10 diamond drill and exploration crews were based out of a temporary camp established on the property. A temporary bridge was erected to facilitate access to the Central Zone.

Eight holes totalling 1212 meters were drilled in the "I" Zone in the vicinity of that had been stripped and sampled during previous exploration. The dykes and or structures were generally intersected at depth where anticipated, but continuity at depth proved to be problematic and the drilling results will be re-evaluated against known structural and geological information prior to further investigation of the "I" Zone being conducted. The I zone, where eight holes were drilled, returned the best gold results from the campaign. Holes GC08-11 and 12, which were targeting the syenite dikes, returned 6.8 grams per tonne (g/t) gold over 4.3 metres and 1.47 g/t gold over 12.5 metres, respectively.

Five drill holes totalling 1,000 meters were completed in the Central Zone. The first four holes were drilled in the western part of the zone in "Grid A" and one hole was drilled in "Grid B" located in the eastern part of the Zone. Targets were selected using the ground and airborne geophysical data as well as preliminary humus geochemical soil survey data. The preliminary drilling results coincided well with the known geophysical anomalies, suggesting the presence of sulphide rich zones. No significant gold or base metal values were intersected. Hole GC08-19, which targeted a zinc geochem anomaly, intersected a 20-centimetre-wide veinlet containing semi-massive-to-massive pyrite with some sphalerite blebs. This hole is located near the western end of a copper and zinc geochemical soil anomaly coincident with VTEM and ground geophysical targets.

The majority of the sulphide mineralization encountered consisted of pyrrhotite and/or pyrite with traces of sphalerite, chalcopyrite and galena varying from disseminated to massive. Some of the semi-massive-to-massive sulphide lenses were located on VTEM signatures that can be traced for more than five kilometres.

To satisfy the terms of the joint venture earn-in by Solomon Resources, an additional $1.15-million of exploration expenditures was required to be spent on the Goldcreek property by Solomon prior to Sept. 25, 2009.

For the year ended July 31, 2010:

Goldcreek Archean Lode Gold / Volcanogenic Massive Sulphide Project

The Company continued efforts to amend the agreement between Solomon and Mengold Resources Inc. to include more favourable terms commensurate with the results of the 2008 field program and depressed market conditions. No field work was completed in the 2009 field season and as we were unable to reach a revised agreement with Mengold Solomon concluded its involvement in the Goldcreek Project as of September 22nd, 2009 and wrote off expenditure to date of $817,277.

Mongolia

For the year ended July 31, 2009:

During the year the Company wrote down the value of its investment in its mineral property interests in Mongolia by $1,621,500 as a consequence of the dropping of several licences, detailed below.

Baruunbayan Uranium Project

No further exploration has been conducted on this project.

The drilling at Baruunbaayan returned anomalous uranium values in several of the drill holes.
Drill hole A7 intersected 1.5 m @ 0.01 % U_3O_8 between 4.5 and 6.0 meters depth.

Drill hole B-8 intersected 3.0 meters of 0.02% U_3O_8 from 124.2 to 127.2 meters depth and displayed elevated V, Se, Ag, Cd, Cu, and P which fit well with the geochemical modeling of rollfront type sandstone hosted uranium mineralization. One highly anomalous 0.5 meter intersection of 0.21% U_3O_8 in drill hole B-8 was found on re analysis by Delayed Neutron Activation to have been corrupted with extremely high Strontium values which compromised the original X-ray Diffraction Analysis.

Drill hole B-15 intersected 0.27 meters of 0.01% U_3O_8 from 109.05-109.32 meters depth.

Drill hole B-20 intersected 0.7 meters of 0.01% U_3O_8 from 216.6-217.3 meters depth.

One sample collected from drill hole B-11 (30-31m) ran 1.0 meter in excess of 1% Strontium (off scale value for ICP analyses) and four contiguous samples collected from 176.25-179.9 meters of hole B-17 contain elevated Strontium ranging 569 ppm to 950 ppm.

The Company has entered into litigation against the Mongolian Cadastral Office for the expropriation of a portion of its Baruunbaayan exploration licences and the court case continued in Ulaanbaatar Administrative Court during this period. The Company applied for certain additional licences adjacent to the disputed ground, and while the licence applications were accepted, licence fees paid and the title gazetted to Solomon, the Cadastral Office has refused to surrender the title documents to these tenures. Accordingly the failure of the Cadastral Office to provide clear title has been added to the ongoing cause of action in the Mongolian courts.

The Company sold a small portion of the Baruunbaayan tenures for $US 50,000 to Mongolian corporation Coal LLC during this period.

Zamtiin Gol Uranium Project

Preliminary modelling indicated a clear zonation of uranium, potassium and thorium. Our investigation to date has determined that the target area which carries highly anomalous uranium soil geochemical values is covered by glacial sediments and our ongoing exploration will be adapted to this environment. Market conditions and an increasingly unfavourable investment environment in Mongolia throughout this period led the Company to abandon the Zamtiin Gol Uranium Project.

Airag Uranium Project

Market conditions and an increasingly unfavourable investment environment in Mongolia throughout this period led the Company to abandon in entirety the exploration licences for the Airag Uranium Project.

Uvurkhangai Uranium Project

Market conditions and an increasingly unfavourable investment environment in Mongolia throughout this period led the Company to abandon in entirety the exploration licences for the Uvurkhangai Uranium Project.

For the year ended July 31, 2010:

Baruunbayan Uranium Project

During the year ended July 31, 2010 the Company spent $89,629 on personnel in Mongolia and $34,395 in licence maintenance costs. Following the decision not to invest any further significant sums in Mongolia the project was written down to a nominal $1,000.

The Company continued to seek a purchaser or joint venture partner for the Baruunbaayan Project during this period. The Company was actively engaged in discussions with potential purchasers of our Mongolian subsidiary and pursued a claim in Ulaanbaatar Administrative Court for the expropriation of certain of our Baruunbaayan Uranium Project licences by the Mongolian Cadastral Office.

On October 10th, 2009 Judge S. Munkhjargal of the Administrative Court of Ulaanbaatar ruled that the Mongolian Cadastral office clearly violated the rights of Solomon in not dealing with the various licence applications according to law. In particular, Judge Munkhjargal ruled that the various orders issued by the Cadastral Office and MRPAM attempting to cancel Solomon's licence applications and restore those of Cogegobi were illegal. The court ordered the Mineral Resource Authority of Mongolia and the Cadastral Office to settle the applications of Solomon Resources Mongolia and Cogegobi according to the Mongolian law.

The appeal period has now expired from the Mongolian Supreme Court decision which found that the Mongolian Cadastral Office had improperly dealt with various Solomon licence applications and there has been no appeal of that decision filed by either the Cadastral Office or proponent Cogegobi LLC.

As of this writing the permits have not yet been issued to Solomon.

Re-registration and Relinquishment of Exploration Licences

On July 16th, 2009, the Mongolian Parliament passed new legislation to regulate the exploration,and development of uranium which gave the Mongolian government the right to take ownership without payment of not less than 51% of the shares of a project or joint venture if the uranium mineralization was discovered by state funded exploration, and not less than 34% if state funding was not used to find the mineralization. *The Nuclear Energy Law* mandates that licences be obtained to conduct exploration for and production of radioactive minerals.

To obtain an exploration licence an applicant must conduct its activities in a transparent manner, have the financial resources to support exploration and reclamation, conduct responsible programs, and have demonstrated mining experience. Exploration licences will only be issued to applicants that meet the conditions set out in the *Nuclear Energy Law*, and agree to accept the state ownership of the required percentage of shares.

The Mongolian Parliament also passed enabling legislation regarding the re-registration of existing exploration and mining licences. Existing licence holders were required to apply to the State Administrative Authority by Nov. 15th, 2009 and comply with all of the conditions and requirements set out in the Nuclear Energy Law, including acceptance of the state's 51% 34% share participation in the licence holder. Any licences that were not reregistered as required by the November 15th deadline would automatically be suspended.

Uranium Exploration Permit 12745X for the Dornogobi 3 tenements was issued to Solomon Resources Mongolia under the new *Nuclear Energy Law* and in late 2009 Solomon field crews completed a surface magnetometer survey on the most prospective geological targets on this licence to meet tenure work commitments.

On September 21st, 2010 the Company relinquished the Dornogobi 3 Uranium Exploration Licence having not met the work commitment requirements of the Nuclear Energy Act for the 2010 licence year.

Efforts continue at this time by our Mongolian legal counsel to secure the title to the disputed tenures. It should be noted that Mongolia remains a democracy in transition and the challenges to obtaining secure tenure and permitting remain a significant obstacle to junior exploration companies and the Company has no plans to expend further exploration capital in this region.

Subsequent to August 1st, 2010:

The Company has spent a further $3,414 on this project, primarily in administrative and legal costs. There are no further developments to report.

United States: Alaska

For the 24 months ended July 31, 2010:

Sleitat Tin Project

The Sleitat Property is located in south-western Alaska, 415 kilometres southwest of Anchorage. Sleitat is a tin-tungsten-silver occurrence within a multi-phased Tertiary granitic stock that intrudes a flysch sequence of Cretaceous Kuskokwim Group sandstones and shales. The stock is considered to be the south-western-most of a string of similarly isolated Tertiary granite hosted greisen tin deposits. Mineralization occurs as cassiterite in the granitic units and in the surrounding hornfels, with coarser grained cassiterite seen along veins within breccia zones. In 1989, the United States Bureau of Mines (USBM) evaluated the tin potential of the property, and inferred a resource of 25.9 million tons grading 0.22% - 0.37% tin, 0.04% tungsten, and 17 grammes/tonne silver (non-NI 43-101 compliant.)

The Company staked the Sleitat Tin Property in 2005 and granted an option to Brett Resources Limited (subsequently acquired by Osisko Mining Corporation) on July 23rd, 2005 to acquire an 80% interest in the property. Brett conducted a preliminary drill program in 2006 comprising five drill holes totalling 702.5 metres which twinned and largely confirmed Cominco's (a previous owner of the property) best hole and expanded the property's known tin-silver mineralization.

In July 2008, the Company received the final payment of 400,000 shares of Brett pursuant to the Option Agreement. Brett earned an 80% interest in the property (now held by Osisko) by issuing a total of 1,000,000 shares to the Company, and the Company retains a 20% participating interest in the property.

Neither the Company nor Osisko conducted any exploration during this period on the project and the only expenditure related to claim maintenance costs.

The Sleitat Tin-Silver Property is considered to have good potential for the discovery of economic concentrations of moderate to high grade tin–silver mineralization.

Western Australia

For the 24 months ended July 31, 2010:

The Company did not carry out any exploration activity in Western Australia in this period.

The Company's wholly owned subsidiary Solomon (Australia) Pty. Ltd. executed the final agreement for the sale of the Company's Kalgoorlie Southeast Project in Western Australia to Integra Mining Ltd (IGR:ASX). The Kalgoorlie Southeast Project comprised four Exploration Licences, seventy-five Prospecting Licences, seventeen Mining Leases and nine Miscellaneous Licences all of which were the last remaining Australian tenements owned by the Company. The tenements were sold for Integra shares valued at A$ 1,000,000 and the replacement of the Company's environmental bonds at a value of A$ 280,000. The Company does not hold any other exploration tenements in Australia. The Company has undertaken a gradual liquidation of its investment in Integra shares to meet the working capital needs of the Company and the investment was fully liquidated in the year ended July 31, 2010.

Burkina Faso

For the year ended July 31st, 2009:

On August 7th, 2008 the Company reached an agreement with Channel Resources Ltd. and Orezone Resources Inc. whereby the Company and Channel sold their remaining interests in the Bombore Gold Project, Burkina Faso to Orezone.

The agreement terminated a previous Heads of Agreement entered into on August 12, 2002 and an Amending Agreement dated September 14, 2004, whereby Orezone was earning up to a 100% interest in Bombore, subject to a 1% net smelter return royalty shared by Channel (55%) and the Company (45%). Orezone had met the agreed expenditure requirements to earn a 50% interest in Bombore.

Consideration for the remaining interests in Bombore, including the net smelter return royalty, was 1,000,000 common shares in Orezone, shared by Channel (550,000 shares) and the Company (450,000 shares), which was subject to a four month restricted resale period. In bringing this transaction to account the Company recognized a recovery of expenditures of $386,999, being the excess of the market value of the shares on the day they started trading over the carrying value of the property ($1). In February 2009 the Company exchanged its shares in Orezone Resources for shares in IAMGOLD Corporation and Orezone Gold Corporation pursuant to a plan of arrangement under the *Canada Business Corporations Act* whereby IAMGOLD acquired all of the outstanding shares of Orezone Resources (see also notes 6 and 8 to the financial statements).

For the year ended July 31st, 2010:

The Company closed the chapter on this property by selling all its remaining shares in Orezone Gold Corporation.

Exploration Outlook

This discussion of exploration focus for the 2011 field season contains forward-looking statements that involve inherent risks and uncertainties. The reader is cautioned that actual results may differ materially from those anticipated in the forward-looking statements.

The Company has divested itself of non-core properties and will be focussing our efforts in the near term on gold projects in the Yukon Territory and Northern British Columbia. We will continue to develop and assess exploration projects in other jurisdictions or for other commodities as a hedge against longer term economic recovery, and currently have a number of projects under consideration. With the decline in available risk capital many viable exploration projects in Canada and abroad have been abandoned or shelved and we are seeing a tremendous increase in the number of quality exploration projects that are available for acquisition or joint venture. We have now entered a target-rich environment where projects that would not have been available to us earlier are now actively seeking equity participation. The challenge remains the careful management of our financial resources and our ability to raise exploration capital while seeking out the best of these opportunities to enhance shareholder value.

Planning is underway for the 2011 field season in which the Company will focus on exploration projects in the Yukon Territory and Northern British Columbia.

The Company intends to resume exploration of the Ten Mile Creek Gold Property in early summer of 2011, with an exploration program including 3000 meters of diamond drilling, mechanized trenching and expanded geochemical surveys.

The Company will undertake preliminary surface exploration on the newly acquired Rosie and Pacer Claims in the Yukon Territory, and seek additional tenure opportunities in the evolving exploration camp of Aishihik-Kluane and the Ruby Range.

Negotiations continue to extend the option agreement and work commitment at the Cry Lake Gold Proejct in Northern British Columbia and if the option terms are amenable, the Company will return to the property in late summer of 2011 with a diamond drilling program designed to test the gold mineralization of the Telephone Hill rhyolite dome target at depth.

Qualified Person

Randy Rogers, M.Sc., P.Geol. a "Qualified Person" for the purposes of National Instrument 43-101, *Standards for Disclosure for Mineral Projects* of the Canadian Securities Administrators, and the President and Chief Executive Officer of the Company, has verified the data disclosed herein including sampling, analytical and test data and prepared or supervised the preparation of the information that forms the basis of the disclosure contained herein.

QA/QC:

The Company has implemented quality assurance and quality control measures in its exploration programs, including the following:

- All field and data analysis work is carried out under the supervision of qualified Solomon geologists and geophysicists in accordance with procedures developed to conform to current 'best practices' in mineral exploration.
- Analytical work for Solomon projects is conducted by certified analytical laboratories.
- In addition to internal checks and standards provided by the labs, Solomon includes blind duplicate and blank samples. All analytical sample checks and standards are within reasonable limits of error.

Selected Annual Information

		2010	2009	2008
Total Revenue	$	21,060	17,524	85,226
General and administrative expenses	$	(616,390)	(776,599)	(768,528)
Other Items (net)	$	(1,995,101)	(2,270,114)	(63,479)
Net (loss) for the year	$	(2,483,616)	(3,070,408)	(161,171)
Comprehensive (loss) for the year	$	(2,435,938)	(3,245,330)	(480,615)
Gain (loss) on sale of marketable securities	$	(12,222)	(139,854)	1,232,722
Stock based compensation	$	(140,999)	(20,400)	(22,800)
Weighted ave shares in issue		10,539,320	5,880,004	5,426,040
Options and warrants at year end		10,345,318	834,625	902,129
Net (loss) per share	$	(0.24)	(0.52)	(0.03)
Fully diluted (loss) per share	$	(0.12)	(0.46)	(0.03)
Total Assets	$	1,927,970	2,384,301	5,220,947
Working Capital	$	498,555	335,302	1,663,153
Cash proceeds on issue of shares	$	1,664,392	271,312	0
Proceeds on sale of investments	$	192,409	869,945	2,266,118
Cash expenditure on resource properties	$	913,639	1,167,564	3,828,660
Resource property write offs	$	(2,007,772)	(2,598,162)	(2,120,785)

Summary of quarterly results for the last 8 quarters

Fiscal 2010		Q1	Q2	Q3	Q4
Total revenues	$	4,667	3,496	3,938	8,959
Net income (loss)	$	(124,651)	(298,401)	(151,498)	(1,909,066)
Net income (loss) per share	$	(0.02)	(0.03)	(0.01)	(0.18)

Fiscal 2009		Q1	Q2	Q3	Q4
Total revenues	$	6,871	4,770	0	5,883
Net income (loss)	$	(32,011)	(183,352)	(1,408,613)	(1,446,432)
Net income (loss) per share	$	(0.04)	(0.03)	(0.23)	(0.22)

Notes:

1. Revenue consists of gas royalties and interest income.
2. There were no discontinued operations or extraordinary items in the years under review.

3. Other items include gains or losses on sale of marketable securities and assets held-for-sale, foreign exchange gains or losses, resource property write-downs and recoveries, and the deemed cost of bonus shares issued to directors in lieu of loan interest.
4. Flow through share financing costs included in General and administrative expenses consists Part XII.6 tax provided on unspent flow through funds.
5. The Company had no long-term financial liabilities during the years under review.
6. The Company has no history of declaring dividends.
7. Annual and quarterly results can vary significantly depending on whether the Company has realized any gain on sale of its marketable securities, abandoned any properties or granted any stock options.

The significance of these numbers and related developments since the year end are discussed below.

In fiscal 2010, the Company had a net loss of $2,483,616 as compared to a net loss of $3,070,408 for fiscal 2009. The following discussion explains the variations in the key components of such losses and the other numbers set out above. As with most junior exploration companies, however, the results of operations are not the main factor in establishing the financial health of the Company. Of far greater significance are the properties the Company has, its working capital and how many shares it has outstanding.

The major costs in general and administrative costs are management fees, $200,951 (2009 - $321,358), stock based compensation, $140,999 (2009 - $20,400), professional fees, $64,293, (2009 - $187,133), and travel, promotion and shareholders' costs, $72,777 (2009 - $56,376).

Professional fees include $27,641 in accounting, audit, legal and tax advisory fees in Australia, $12,494 in audit and tax advisory fees in Canada and $43,432 in legal fees in Canada, the balance being sundry consulting fees. In previous years the audit fee has been provided for in the year to which it relates. This has not been done for the fiscal year ended July 31, 2010 and audit fees expenses represent only those fees for which services were provided in the year. Professional fees in Australia related to financial, tax and legal consulting. Legal fees in Canada were in respect to a number of corporate initiatives, notably property transactions; legal fees paid in respect to capital raising and share issuance form part of share issuance costs netted off the amounts raised.

Included in management fees were fees paid to officers of the Company, being:

- $110,250, not including stock based compensation, (of which total $77,944 was capitalized to the cost of exploration projects) paid to Longford Exploration Services Ltd. for the management services of Randy Rogers, Chief Executive Officer, and

- $84,395, not including stock based compensation, (of which total $2,250 was capitalized to exploration projects) paid to Paul Maarschalk, Chief Financial Officer and Corporate Secretary, for accounting and administrative services.

Also included in management fees was $72,000 paid for advisory services to a former Chief Executive Officer and $14,500 paid for office administration.

Travel, promotion and shareholders' information includes $41,250 paid to an investor relations firm that was appointed by the Company in February 2010. This expense continues to include the costs of the Company's website and the cost of providing shareholders with information on the Company. Travel costs have fallen as the Company attended fewer trade shows. Travel costs incurred to visit mineral properties are normally capitalised to the expense of such properties.

Stock based compensation is a non-cash item that attempts to put a dollar value on the benefit being given on the granting of stock options. It is based on statistical models, taking into account the volatility of the stock, the risk free interest rate and the weighted average life of the options. Where the market is highly volatile and not very liquid the results may not be very meaningful. In fiscal 2010 the Company granted stock options to directors, contractors and the investor relations advisers to purchase 770,000 shares. The Company issued stock options to purchase 102,000 shares in 2009. The deemed value of those options vesting in the 2010 fiscal year was $140,999 (2009 - $20,400).

The Company writes off/down its mineral property costs and deferred exploration at such time as it either abandons the property or determines that there has been a permanent impairment in its value. In 2010 the major expenses were the writing off of the Bonanza property ($232,491) and writing down to nominal value the remaining interests in Mongolia ($1,775,281). In 2009 the major expenses were the writing off of the Goldcreek project ($817,277), and the Bowron Basin coal project ($138,063) and the writing off of certain licenses in Mongolia ($1,621,500). Further details may be found in the section on exploration properties.

Liquidity and Capital Resources

As with most companies in the resource sector, the first half of fiscal 2010 presented the Company with continuing challenges in respect to financing its operations, notwithstanding that the situation was less challenging than fiscal 2009 when the Company had borrowed $500,000 from two directors in order to finance its operations during the worst part of the market downturn. 80% of the directors' loan was repaid prior to the fiscal 2009 year end and the balance was repaid early in fiscal 2010.

The capital markets improved in the fiscal year ended July 31, 2010 and the Company raised $1,664,392, net of cash based share issuance costs, in private placements that closed in September and October 2009 and April and July 2010. Non cash share issuance costs amounted to $75,585, being the fair value of finder's warrants awarded. Of the funds raised, $1,357,020 was for flow-through units which, in terms of Canadian tax laws are required to be spent on qualifying Canadian exploration expenditures by the end of the calendar year following the year in which they are raised. $511,500 in flow through funds was raised in calendar 2009 and was required to be spent by December 31, 2010. $845,520 in flow through funds was raised in calendar 2010 prior to July 2010 and is required to be spent by December 31, 2011. As at July 31, 2010 the Company had fulfilled its spending obligations for 2010. At the time of writing this report the Company is holding $192,231 in flow through funds that are required to be spent by December 31, 2011. The funds are being spent on exploration expenditures on projects in British Columbia and the Yukon.

$154,000 of capital raised by way of a private placement in fiscal 2010 was used to acquire Avasca Inc, a company with a 51% interest in the Cry Lake project.

The Company spent a total of $913,639 in cash on mineral exploration in the year ended July 31, 2010, of which $124,024 was spent in Mongolia and the balance was spent in Canada. During the same year the Company issued 1,316,000 common shares with a fair value of $328,000 in respect to property acquisitions. In 2009, the Company spent $1,217,411 in cash and issued shares with a fair value of $75,000 on acquiring and exploring mineral properties.

The Company sold the remainder of its marketable securities in fiscal 2010 for net proceeds of $192,409, at a loss of $18,403.

With the exception of its small gas royalty, the Company has no revenue generating operations from which it can internally generate funds. It relies on the sale of its own shares or the sale of its marketable securities to provide cash as needed. This situation is unlikely to change until such time as the Company secures a project on which it can develop a profitable mining operation.

When acquiring mineral properties the Company will occasionally issue its own shares to the vendor of the property as partial or full consideration for the property.

In fiscal 2009 the Company raised $271,312 (net) by way of a private placement.

During the year ended July 31, 2010, the Company carried no long-term debt. A short-term debt obligation of $100,000 payable to two directors was settled on October 5, 2009. Lease commitments for the Company's office in Armstrong BC are $1,474 per month until February 2011. Payments to the former CEO of $6,000 per month are payable in terms of his contract until June 2011. The Company had working capital at July 31, 2010 of $498,555 (2009 - $335,302) and it held $573,353 in cash (2009 - $102,078).

Subsequent to the year end the Company has received $265,657 as a result of 932,620 share warrants, including 164,762 finder's warrants, being exercised.

Subsequent to the year end the Company has issued 5,565,490 units for gross proceeds of $1,224,408. Each unit consisted of one common share and one share purchase warrant exercisable at $0.30 on or before July 23, 2012. The Company paid $86,937 in cash and issued 395,167 finder's units consisting of one common share and one warrant to purchase one common share exercisable at $0.22 per share until September 15, 2011 and $0.30 per share until July 23, 2012; upon exercise of each such warrant, an additional warrant will be issued to purchase one common share at $0.30 until July 23, 2012

At the date of this discussion document the Company has 22,809,805 shares in issue; outstanding options to purchase 979,000 common shares; and outstanding warrants to purchase 14,814,305 common shares. Of the warrants, 1,822,617 have an exercise price of $0.40 and a weighted average remaining life of 10 months and 12,991,688 have an exercise price of $0.30 and a weighted average remaining life of 19 months.

The Company has earn-in and maintenance obligations to retain its existing properties, in the form of both cash payments and share issues, and in addition has annualised cash based overhead costs of about $400,000 (2010 actual - $450,000). It may be necessary for the Company to raise further funds through the sale of its own stock to fund ongoing operations.

Off balance-sheet arrangements

The Company has no off-balance sheet arrangements.

Transactions with related parties

Randy Rogers, President, Chief Executive Officer of the Company, provides management and geological services to the Company through his private company, Longford Exploration Services Inc. at the rate of $750 per day. Total charges in 2010 were $110,250 paid in cash and stock based compensation with a fair value of $21,252 (2009 - $158,125 including stock based compensation).

Paul Maarschalk, Chief Financial Officer and Corporate Secretary of the Company, provides accounting and administrative services to the Company at the rate of $680 per day. Total charges in 2010 were $84,395 paid in cash and stock based compensation with a fair value of $21,252 (2009 - $84,483 including stock based compensation).

Stock options to purchase 570,000 shares at $0.265 per share were granted to directors, officers and contractors in 2010 (2009 – 75,000 shares at $2.50). No stock options were exercised by officers and directors in 2010 (2009 – nil). Mr. David Ransom resigned as a director in June 2009 - in terms of the rules of the stock option plan options expire 90 days following the resignation of a director. As a result the 40,000 options held by Mr Ransom expired in September 2009. Share options to purchase 100,000 shares at $0.35 and 100,000 shares at $0.50 were awarded to the Company's investor relations advisers, appointed in February 2010. 50,000 vested prior to the year end, 100,000 have vested since the year end and the other 50,000 will vest before February 15, 2011.

During the prior fiscal year, two directors, Ron Netolitzky and Mike Church, each loaned the Company $250,000. As approved by the TSX-Venture Exchange they were each issued with 1,000,000 bonus shares (which were consolidated to 100,000 shares in June 2009) in lieu of interest on the loans. The loans were otherwise interest free to the Company. The loans were secured by a pledge of the Company's marketable securities up to a total of $500,000. The loans were intended to be repaid within six months. Prior to the 2009 fiscal yearend $400,000 was repaid and the balance was repaid on October 5, 2009.

Apart from the above, there were no transactions with related parties in fiscal 2010.

Financial instruments and other instruments

The Company's financial instruments include cash, receivables, marketable securities and payables.

The Company's cash $573,353 consists of cash in the Company's bank accounts. A Government Investment Certificate of $18,000 is held by the Company's bankers as a surety against an environmental bond on the COL property in British Columbia. Receivables from non-government sources and payables of $37,326 and $190,484 respectively are normal course business items that are usually settled within thirty days. The tenement bond of $11,164 is a cashable bond held in Australia.

Subsequent to the year end

There have been no significant events subsequent to the year end that have not been discussed elsewhere in this document.

Proposed transactions

There are no proposed transactions at this time.

Changes in accounting policies including initial adoption

Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

The Company has early adopted CICA Handbook Section 1582, which replaces the previous business combinations standard. The new standard requires that all of the assets acquired and the liabilities assumed in a business combination be recorded at fair value, which was not the case under the previous standard. The new standard also requires that previously held ownership interests be re-measured to the acquisition date fair value, rather than being restated to cost. In addition, the new standard requires that all acquisition costs associated with the acquisition are expensed, rather than being capitalized as part of the acquisition, that contingent liabilities are recognized at fair value at the acquisition date and subsequently re-measured to fair value with changes recognized in earnings, and that a bargain purchase is recognized in earnings rather than being allocated to non-monetary assets.

The Company also early adopted CICA Handbook Sections 1601 and 1602, which together replaced Section 1600. Section 1602 requires non-controlling interests to be presented within equity.

The adoption of the new sections has been completed on a prospective basis and has no impact on the Company's consolidated financial statements.

There have been no other changes in accounting policies since August 1, 2009, being the period covered by this discussion and analysis.

Future accounting changes

International Financial Reporting Standards

In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous year, starting in the first quarter of 2011. The Company commenced its IFRS conversion project in 2009, and expects to be completed prior to its applicable conversion date, being August 1, 2011.

The Company's IFRS conversion project is governed by members of the audit committee and the Board of Directors to monitor the progress and make critical decisions in the transition to IFRS, and to approve all transition policies. This project consists of three main phases:

> <u>Preliminary planning and scoping</u>: This phase includes the development of a work plan and a review of the major differences between Canadian GAAP, IFRS, and the IFRS requirements based on their financial reporting impact, business impact and complexity.
>
> <u>Assessment and design</u>: This phase involves determining the specific impacts to the Company based on the application the IFRS requirements. This includes the design and development of detailed solutions and work plans by each key area to address implementation requirements. In addition, impact analysis is performed on all areas of business, including tax. Accounting policies are finalized, first time adoption exemptions are considered, and a detailed implementation plan is developed.
>
> <u>Implementation</u>: This phase includes implementing the required changes for IFRS compliance. All IFRS conversion impacts are approved and finalized to allow for the conversion of tax policies and the preparation of opening IFRS balances.

Currently, the Company has completed the preliminary planning stage and has moved on to the assessment and design phase.

Current IFRS Transition Work

The Company is now quantifying the known differences between IFRS and Canadian GAAP and summarizing the changes in financial statement notes disclosures.

The Company's finance department is continuing its education program to increase its understanding of IFRS.

The Company will continue to review all proposed and continuing IFRS amendments by the various regulatory bodies and update or revise the project plan accordingly to ensure it accomplishes a timely and efficient transition to IFRS.

The Company's IFRS conversion project is currently on target to meet the changeover date of August 1, 2011.