Introduction

The following management discussion and analysis has been prepared as of **November 23, 2012**. It should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2012. The financial statements have been prepared in accordance with International Financial Reporting Standards 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 property interests and cash. The Company funds its operations either through the sale of shares of the Company or through the sale of mineral property interests or 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 significant consolidation and change for the Company as due to challenging market conditions late in the year we redirected our exploration efforts away from gold, copper, nickel and PGE projects in the Yukon Territory and towards tin, tantalum and niobium exploration in equatorial Africa.

Early in the fiscal year we continued to work on our Yukon projects: the Company acquired by staking eight mineral claims under the *Yukon Quartz Mining Act* to protect road access to the Pacer Claim Group in the Southwest Yukon and completed preliminary prospecting, silt geochemistry and geological mapping traverses on the Rosie, Pacer and Outpost Claim Groups from August through September of 2011.

A lack of investor support for grassroots exploration in the Yukon and generally poor market conditions leading into the winter of 2011-2012 caused the Company to reconsider its commitment to these relatively high risk northern grassroots projects and search for more favourable targets in stable jurisdictions that would support the raising of exploration capital and offer the ability to explore throughout the year.

A number of the Yukon properties were abandoned and the Company's option on the Ten Mile Creek Gold Project was allowed to lapse on June 1st, 2012.

On July 11th, 2012 the Company executed a Letter of Intent for an option to acquire 100% of a prospecting licence covering approximately 1,000 square kilometers in the Republic of Rwanda known as the Rurembo Property.

Exploration activities for the year ended July 31st, 2012:

Ten Mile Creek, Yukon Territory

In September 2009, the Company entered into an agreement with Radius Gold Inc. ("Radius") of Vancouver, British Columbia, to acquire a 51% interest in the Ten Mile Creek gold property in the Dawson Mining District, Yukon Territory.

The Company conducted exploration on the Ten Mile Creek Property during the 2010 and 2011 field seasons which comprised 800 meters of diamond drilling, collection and analysis of 5240 soil geochemical samples and the completion of 297 line-kilometers of airborne geophysics. Field work on the Ten Mile Creek Property ended in September of 2011.

Faced with a shortage of exploration capital, the Company was unable to renegotiate the terms of the option agreement on this property and on June 1st, 2012 abandoned its option to acquire a 51% interest in the 10 Mile Creek project. Neither the scheduled payment of $250,000 nor the scheduled issue of 250,000 shares before May 21, 2012 was made. The Company's investment in the property, being $1,734,542, was written off in the quarter ended April 30, 2012.

South West Yukon

Solomon continued exploration in the relatively underexplored Kluane Front Ranges and Ruby Range of Southwest Yukon and by the start of the current fiscal year had acquired by staking 100% ownership of mineral claims covering approximately 24,000 hectares in the Southwest Yukon. The Pacer, Outpost, Rosie, Jenn, Seamus, Tyke, Nis and Sek Claims were all located in an area recently remapped by the Yukon Geological Survey and which had attracted significant claim staking in 2011 by other reporting issuers.

During August of 2011 the company staked a further 8 mineral claims under the *Yukon Quartz Mining Act* to protect road access to the Pacer Claim Group and completed preliminary prospecting, silt geochemistry and geological mapping traverses on the Rosie, Pacer and Outpost Claim Groups.

Due to a shortage of funds, the following Yukon mineral claim groups were abandoned in the fiscal year as assessment credits expired: Jenn, Seamus, Sek, Nis and Tyke.

The Company maintained ownership of the three most prospective Yukon claim groups with a view to vending or optioning these claims to another issuer.

> The Pacer Claim Group comprises 234 mineral claims located approximately five kilometers west of the town of Haines Junction in the Front Ranges of the Kluane Mountains. The claims cover an historical gold occurrence and highly prospective epithermal gold and nickel-copper-platinum targets indicated by regional stream geochemical surveys and airborne geophysics as well as preliminary surface exploration conducted by Solomon in September of 2010. The Pacer Claims are located in a poorly explored belt extending northwest from Haines Junction to the ghost town of Silver City. Gold is reported to occur with pyrrhotite and chalcopyrite in a quartz-carbonate stockwork cutting rusty siliceous argillite in the hanging wall of a serpentinized gabbro-peridotite sill 150 meters thick and at least 4000 meters long. Historical work on the property reports a sample from the main showing assayed 19.7 grams per tonne (g/t) Gold (Au) and a nearby quartz-sericite vein returned 2.5% Copper (Cu) and 1.5 g/t Au. High grade copper float was found in foliated greenstone boulders in what is locally known as Thunderegg Creek downstream of the Golden Gate showing. Solomon field crews conducted preliminary exploration on this property in the 2011 field season, including soil and silt geochemical sampling and geological mapping. Road access to the Alaska Highway was improved in the course of this work.

> The Outpost Claim Group comprises 71 mineral claims located approximately fifty kilometers west of the town of Haines Junction. The Outpost Claims are located in a poorly explored belt extending northwest from Haines Junction to the ghost town of Silver City and protect the northwesterly strike extension of the Pacer Claim Group. The property lies along the northeastern flank of Outpost Mountain and encompasses the drainages of Silver and Boutelier Creeks. The Outpost Claim Group covers a highly prospective airborne geophysical anomaly in an area with anomalous stream sediment geochemical data. The airborne total magnetic and first vertical derivative anomalies trend sinuously northwesterly through the property and suggest that large scale favourable mineralizing structures or large mafic/ultramafic intrusives may underlie this underexplored geological package and the proximity of the Kluane Ranges Intrusive Suite makes this a compelling target for epithermal gold and nickel-copper-platinum group mineralization. Solomon field crews conducted preliminary exploration on this property in the 2011 field season, including soil and silt geochemical sampling and geological mapping. A tote trail to the Alaska Highway was rehabilitated during this work.

> The Rosie Claim Group comprises 214 mineral claims located approximately 58 kilometers north of Destruction Bay and 107 kilometers northwest of the village of Haines Junction. The Rosie Claim Group was staked to protect a highly prospective epithermal gold target indicated by regional stream geochemical surveys and the discovery in 2010 by the Yukon Geological Survey of an outcrop of highly silicified altered quartz feldspar porphyry near the top of the Ruby Range batholith, likely the result of a high sulphidation epithermal system. Silicic and potassic alteration in the outcrop has the appearance of the high-sulphidization, epithermal style mineralization found above and adjacent to deeper porphyry systems. The Rosie Claim Group is highly prospective for epithermal gold in quartz stockworks and porphyry style mineralization in the upper reaches of the

Ruby Range batholith and Rhyolite Creek Volcanic-Plutonic Complex. Regional stream sediment geochemistry data shows anomalous gold values coupled with one or more of copper, molybdenum, arsenic, mercury and antimony. Solomon field crews conducted preliminary exploration on this property in the 2011 field season, including soil and silt geochemical sampling and geological mapping.

Sleitat Mountain, Alaska

The Company owns a 20% interest in the Sleitat Mountain Tin-Tungsten-Silver deposit near Dillingham, southwest Alaska. An 80% interest in the property is held by Osisko Mining Corp. The Company is responsible for 20% of any exploration or development expenditures incurred. Should the Company not participate in the expenditures, its interest in the property will be diluted in accordance with industry practice. If the Company's interest is diluted to less than a 10% participating interest, it will retain only a 1% NSR on subsequent production of any metals from the property.

No exploration work is planned on this property for the immediate future.

COL-Magnet Copper-Gold Property, British Columbia

Between December 2006 and May 2007, the Company acquired by on-line staking the COL- Magnet mineral claims in the Omineca Mining Division in north-central British Columbia. Twelve mineral claims endure at this writing: three of these expire on December 31st, 2012 and nine remain valid until December 31st, 2015.

No exploration work is planned on this property for the immediate future.

Uranium Exploration Projects - Mongolia

On July 1st, 2012 the Company accepted an offer from a resident of Mongolia to purchase its subsidiary in Mongolia for $1. As a consequence the Company wrote off its remaining investment of $1,000.

Other Exploration Programs and Activities

Solomon's business model is that of a Project Generator. To build shareholder value, the Company intends to acquire highly prospective mineral tenures in stable jurisdictions with the objective of adding value through grassroots exploration and target refinement and then seeking option or joint venture partners through to production.

The Project Generator model is particularly suited to the Company's emerging focus on equatorial Africa where Solomon is the Canadian explorer leading the resurgence of this highly prospective and traditionally underexplored region. Solomon has assembled an exploration team with a wealth of intellectual capital and experience in African mineral exploration and development.

The Company will continue efforts to monetize the surviving mineral tenures in the Yukon Territory to fund historical debt obligations.

The Company continues to look for additional tin projects in the highly prospective Kibaran Belt of equatorial Africa.

Subsequent to August 1st, 2012

Solomon executed a Letter of Intent on July 11th, 2012 to option the Rurembo Prospecting Licence which allows prospecting for wolframite, cassiterite and coltan for a non-renewable term of two years from February 22nd, 2012 to February 21st, 2014.

The Letter of Intent was converted to a formal Option Agreement on October 5th, 2012.

Terms of the acquisition include the issue of 12,000,000 common shares to the optionors; 6,000,000 shares will be issued following receipt of TSX Venture Exchange approval and the remaining 6,000,000 common shares will be issued upon the prospecting licence being successfully converted to an exploration or production licence prior to its expiry on February 21, 2014. Solomon is required to carry out up $1,000,000 on exploration the Property over two years ($500,000 per year) which exploration expenditure terminates upon the prospecting licence being converted. Concurrently with the second issuance of shares, the optionors will also be repaid loans from them to a company holding the property of approximately $200,000. The optionors may elect to instead receive an equivalent amount of common shares of Solomon at a deemed value of $0.05 each.

The acquisition has not yet been approved by the TSX-V and the Company is in the process of obtaining an independent NI 43-101 Technical Report to comply with the terms of approval.

The Prospecting Licence covers 110,984 hectares in northwestern Rwanda extending from the town of Gitarama in the south to the city of Ruhengeri in the North.

The Rurembo Project is directed at Sn-Ta-Nb (W) mineralization in Neo-Proterozoic pegmatite dykes, griesens and quartz veins within Meso-Proterozoic granitic massifs and associated metapelites, quartzites and dolerites. The pegmatite dykes occur in swarms, and generally parallel the dominant north-south fracture set related to subduction along the East Africa Rift. Locally, the pegmatite dykes are variably mineralized with columbite-tantalite and/or cassiterite.

Bonanza grade tin mineralization may occur where the pegmatite dykes are crosscut by regional faults creating dilationary zones known locally as "poches-de-griesen" such as those which host the tin mineralization at the Gatumba Mining Concession located south of the licence area.

The Rurembo licence area is dissected by the Nyabarongo River. Elevation ranges generally from 1400 meters in the major river valleys to 2384 meters in the rugged uplands west of the Nyabarongo and south of Kijina to 2255 meters in the highlands west of Gatumba. Lac Ruhondo on the northern flank sits at 1759 meters elevation. Relief is significant.

The licence area is accessible by paved two lane highway from Kigali. The southern portion near Gatumba is approximately 1.5 hour drive from Kigali and the northern portion near Ruhengeri is approximately 2.0 hour drive from Kigali. There are good quality paved highways flanking the permit area to the east and west, and a paved artery follows the Nyarabongo and Mukungwa Rivers running North-South in the central portion of the area. Dirt roads run off these main corridors at irregular intervals, passable in the dry season with four wheel drive vehicles.

Solomon has leased a house in Kigali to serve as an office and residential facility for expats, and hired a Rwandan country manager and support staff for the house.

The climate of Rwanda is temperate, with two rainy seasons (March to May and October to November.) The high altitude of Rwanda provides the country with a pleasant tropical highland climate, with a mean daily temperature variation of less than 2° C. Temperatures vary considerably from region to region because of the variations in altitude. At Kigali, on the central plateau, the average temperature is 21° C.

Power is available from the Rwandan national grid throughout the licence area, and the Nayarabongo and Mukungwa Rivers (the upper reaches of the White Nile) transect the licence area from north to south and provide an ample supply of water for industrial purposes.

There are artisanal miners active within the Rurembo Licence Area, and while these are believed to be largely illegal and primitive cassiterite-coltan extraction operations directed at the weathered exposure of pegmatite dykes, no production records are available.

An inventory of current and historical artisanal mining activity contracted to Rwandan geologists in September of 2012 will also help guide exploration.

Solomon field crews have conducted preliminary exploration within the licence area from August to October of 2012 and an interpretation of geophysical data is almost complete. The exploration challenge in the Rurembo Prospecting Licence area is to quickly identify priority targets using conventional surface exploration techniques.

Should the results of the current field program warrant application for Exploration Licences on selected targets prior to the expiry of the Prospecting Licence in February of 2014 a program of mechanized trenching and drilling would likely be warranted to further define targets. It should be stressed that there is no certainty of conversion, and the current Prospecting Licence does not convey title to any mineral resource contained in the licence area.

Selected annual information		2012	2011	2010	Comment
Total Revenue	$	11,970	19,730	21,060	1
General and administrative expenses					
Management fees	$	165,073	241,511	200,951	2
Share based payments	$	45,543	110,274	140,999	3
Travel, promotion and shareholder costs	$	44,276	105,332	72,777	4
Professional fees	$	53,079	89,019	64,293	5
Office and miscellaneous	$	44,144	71,223	61,888	6
Rent	$	36,447	27,054	18,372	7
Property investigation	$	27,486	81,960	-	8
Property maintenance	$	21,254	20,286	-	9
Stock exchange fees	$	10,856	10,681	18,623	
Transfer agent fees	$	9,505	11,199	14,528	
Amortization	$	43,153	24,779	23,156	
Total general and administrative expenses	$	500,816	793,318	615,587	
Other income and expense items					
Write off of expenditures on mineral properties	$	(2,127,111)	(591,938)	(2,007,772)	10
Recovery of expenditures on mineral properties	$	57,868	-	3,833	11
Write down of equipment	$	(8,468)	-	-	
Loss on sale of equipment	$	(10,641)	-	-	12
Deferred Income Tax Recovery	$	8,000	83,968	-	
Net loss for the year	$	(2,569,569)	(1,281,769)	(2,435,938)	
Net loss per share (basic and fully diluted)	$	(0.10)	(0.05)	(0.24)	
Weighted average shares in issue		25,990,737	22,297,893	10,539,320	
Share capital at yearend					
Shares in issue at yearend		26,669,972	24,669,972	16,311,695	
Options and warrants at yearend		5,238,733	16,883,851	10,445,318	
Fully diluted share capital at yearend		31,908,705	41,553,823	26,757,013	
Other cash flows					
Proceeds on issue of shares	$	133,488	1,609,459	1,664,392	
Subscriptions received prior to yearend	$	300,000	-	-	
Proceeds on sale of equipment	$	13,000	-	-	12
Proceeds on sale of investments	$	-	-	192,409	
Cash spent on mineral property interests	$	390,464	1,153,974	913,629	13
Other balance sheet items					
Total assets	$	425,089	2,330,411	1,927,970	14
Working capital	$	(33,867)	180,838	527,719	14

Comments on selected annual information

1. Revenue: The year on year decline in revenue reflects declines in royalty receipts from the company's oil and gas assets.
2. Management fees: The decline in management fees expensed reflects the conclusion of payments to a former Chief Executive Officer in June 2011. More details are provided in the related parties note.
3. Share based payments: Stock options are awarded annually to directors, officers and certain other individuals. The awards are made on the same day as the Company's annual meeting and the exercise price is set at the higher of $0.10 and the price at which the Company's shares closed the previous day. The value of the options is calculated using the Black Scholes Method. The drop in value in 2012 is directly related to issuing options with an exercise price of $0.10, significantly higher than the stock's last closing price.
4. Travel, promotion and shareholders costs: In 2010 and 2011 the Company was using the services of an Investor Relations firm with a monthly charge of $7,500. After this contract was terminated other promotion and travel costs also dropped. The Company has no present plans to engage another IR firm.
5. Professional fees: Professional fees reflect legal costs and auditing fees. The fluctuation in costs is mainly a reflection of fluctuating legal fees, which are driven by the level of contractual activities (new properties, new partners). Legal fees related to financing costs are usually written off against share capital.
6. Office and miscellaneous: Insurance costs comprise about 50% of Office and miscellaneous. Other items can vary and are managed as tightly as circumstances permit.
7. Rent: During 2011 the Company moved from an office in Armstrong BC to a more convenient and suitable office in Vernon BC. The Company has a lease commitment of $3,000 per month until February 2016. Certain penalties would apply for early termination.
8. Property investigation: In 2012 the Company carried out due diligence on the Rurembo property in the Republic of Rwanda. A Letter of Intent was subsequently signed and expenses incurred on the property thereafter have been capitalised in terms of the Company's accounting policies. In 2011 the Company investigated a prospective property in northern British Columbia close to the Company's claims in the south west of the Yukon Territory. The property was considered to be of insufficient merit to stake any claims.
9. Property maintenance: During 2010 the Company wrote down its investment in Mongolia and thereafter expensed all costs associated with maintaining the operation in Mongolia. Similar maintenance costs have been expensed in respect to other properties where there are on-going termination costs after the Company has written off its investment. The operation in Mongolia was sold during the 2012 fiscal year.
10. Write off of expenditures on mineral property interests: 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. The major mineral property interests written off or down in the 2012 fiscal year were the 10 Mile Creek option and several claim groups in the south-west Yukon (2011 - Cry Lake / Nizi; 2010 – Bonanza and Mongolia)
11. Recovery of expenditures on mineral properties: In 2012 the Company received a Mineral Exploration Tax Credit from the Government of British Columbia in respect to the Cry Lake / Nizi property near Dease Lake in northern BC. The Company also recovered certain costs related to the 10 Mile Creek property by way of a payment from the owner for data collected by the Company.

12. Loss on sale of equipment: The Company incurred a loss on equipment based in the Yukon Territory when this equipment was sold at the time the Company abandoned most of its active interests in the Territory. Proceeds received amounted to $13,000.
13. Cash spent on mineral property interests: The 2012 fiscal year was relatively quiet for the Company for two principal reasons: (a) assay results for samples collected on the Company's Yukon properties were delayed and further work could not be planned with confidence and (b) the Company's ability to raise finance for further spending was severely curtailed by a significant downturn in market sentiment, especially as this related to exploration in general and the Yukon in particular.
14. Total assets and working capital: The significant decline in the Company's total assets and working capital is a reflection of the state of affairs at the yearend. Subsequent to the yearend the Company has raised $732,200 in new capital and started work on its new property interest in Rwanda. Further injections of new capital will be required as the Company continues its investment spending in Rwanda.

Summary of quarterly results for the last eight quarters

Fiscal 2012		1st quarter	2nd quarter	3rd quarter	4th quarter
Revenues	$	673	580	6,422	4,295
Comprehensive loss	$	(77,678)	(155,653)	(1,940,738)	(395,500)
Comprehensive loss per share	$	(0.01)	(0.01)	(0.07)	(0.01)

Fiscal 2011		1st quarter *	2nd quarter *	3rd quarter *	4th quarter *
Revenues	$	6,180	3,538	5,489	4,523
Comprehensive income (loss) *	$	(119,620)	(1,055,683)	(95,785)	32,459
Comprehensive income (loss) per share *	$	(0.01)	(0.05)	(0.01)	0.01

* The quarterly comprehensive loss and comprehensive loss per share in fiscal 2011 have been restated to account for an accounting policy change arising from the transition to International Financial Reporting.Standards ("IFRS").

Notes:

1. Revenue consists of gas royalties and interest income.
2. There were no extraordinary items in the years under review.
3. The Company had no long-term financial liabilities during the years under review.
4. The Company has no history of declaring dividends.
5. Annual and quarterly results can vary significantly depending on whether the Company has acquired any new mineral property interests, abandoned any properties, acquired or sold equipment or marketable securities, or granted any stock options.
6. In the 4th quarter of fiscal 2012 management's attention was focused initially on trying to preserve the 10 Mile Creek option and subsequently on due diligence with respect to the Rurembo property in Rwanda. This process led to higher than normal management fees for the quarter. No major exploration expenses were incurred and other overhead expenses were in line with the 4th quarter of the previous year. Following the decision to change the Company's focus from the Yukon to Rwanda expenditures on the Company's mineral

properties in the South West Yukon were written off, certain exploration equipment was written down or sold and the Company recovered $30,000 from the owners of the 10 Mile Creek claims group.

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.

Liquidity and Capital Resources

As with most companies in the junior resource sector, the Company continues to experience extreme volatility in its share price and consequently its ability to raise capital on a timely basis remains a major challenge.

2012 fiscal year

The capital markets in the 2012 fiscal year were considered by many long-time participants to be the worst in a generation. The Company raised $155,000 (gross) in private placements that closed in November 2011 ($135,000 for 1,800,000 units at $0.075 each) and in December 2011 ($20,000 for 200,000 flow-through units at $0.10 each). Each unit comprised one common share and one share purchase warrant exercisable at $0.10 for one year ($0.15 for one year in the case of the flow-through units). A premium of $8,000 was recognised on the flow-through shares issued. Total costs of the placements were $22,679. 60,000 finder warrants, with a calculated value of $1,166, were issued to finders in addition to $4,900 in cash.

Efforts to raise further capital in the early months of 2012 were unsuccessful. The Company was thus forced to abandon its option on the 10 Mile Creek property in the Yukon as a result of being unable to fund, or postpone, both a balloon payment that was due to the optionors and the work commitment for the balance of the option period.

In July 2012, following the signing of a Letter of Intent to acquire an option on the Rurembo property in the Republic of Rwanda the Company announced a private placement to raise up to $750,000 in new capital by way of units priced at $0.05 each. Prior to the yearend $300,000 had been raised as subscriptions. The placement closed in September 2012 and raised $732,200 (gross). 14,644,000 units were issued to subscribers, each unit comprising one common share and one share purchase warrant exercisable for two years at $0.10. Finder's fees were paid by way of $25,480 in cash and 509,600 finder warrants exercisable at $0.10 for two years.

2011 fiscal year

The capital markets were comparatively buoyant in the first few months of the fiscal year ended July 31, 2011 and in September 2010 the Company 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 agents' options 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. The fair value of these agents' options was $109,335.

The second half of fiscal 2011 proved to be a much more challenging environment. The Company issued 1,666,667 units for gross proceeds of $250,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of the Company on or before June 23, 2013 at an exercise price of $0.30. The Company paid a finder's fee of $23,589 in cash and issued 85,400 finder's warrants exercisable at $0.30 per until June 23, 2013. The fair value of these warrants was $4,414.

During the year ended July 31, 2011 $272,182 was raised through the exercise of 976,120 share purchase warrants at exercise prices between $0.15 and $0.30.

The Company spent a total of $390,464 (2011- $1,153,974) in cash in exploring its mineral properties in the year ended July 31, 2012, all of which was spent in the Yukon Territory. During fiscal 2012 the Company did not make any payments nor issue any shares to secure mineral property options (in 2011 the Company paid $150,000 and issued 150,000 common shares with a fair value of $22,500 to maintain the Ten Mile Creek option agreement).

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 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.

During the year ended July 31, 2012, the Company carried no long-term debt. Lease commitments for the Company's office in Vernon BC are $3,000 per month until February 29, 2016. The Company had working capital at July 31, 2012 of negative ($33,837) (2011 - $153,248). $281,261 was held in cash (2011 - $263,179).

At the date of this discussion document the Company has 41,313,972 shares in issue; outstanding options to purchase 2,460,000 common shares; and outstanding warrants to purchase 18,132,333 common shares. The warrants have exercise prices ranging from $0.10 to $0.30, with a weighted average exercise price of $0.11. The remaining life of the warrants ranges from one month to twenty-three months and have a weighted average remaining life of 20.85 months.

The Company has significant work commitments ($1,000,000 before February 2014) in respect to its investment in Rwanda, as well as cash based overhead costs of about $40,000 per month. It will 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 and 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 2012 were $116,190 paid in cash and share based payments with a fair value of $9,690 (2011 - $169,875 including share based payments).

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 2012 were $80,623 paid in cash and share based payments with a fair value of $9,690 (2011 - $89,038 including share based payments).

A relative of a director provides administrative support services at a rate of $30 per hour and received fees of $32,670 paid in cash (2011- $32,895) and share based payments valued at $2,261 (2011 - $6,700).

Stock options to purchase 705,000 shares at $0.10 per share were granted to directors, officers, advisers and contractors in 2012 (2011 – 810,000 shares at $0.165 per share and 200,000 shares at $0.17 per share). No stock options were exercised by officers and directors in 2012 (2011 – nil).

Apart from the above, there were no transactions with related parties in fiscal 2012.

Financial instruments and other instruments

The Company's financial instruments include cash, tenement bonds, reclamation deposits, receivables, accounts payable, and due to related parties.

The Company's cash of $281,261 at July 31, 2012 consisted of cash in the Company's bank accounts. Receivables and payables of $18,966 and $374,831 respectively are normal course business items that are usually settled within thirty days, with the exception of payables in excess of 90 days at yearend totalling $175,189 due to officers and a relative of an officer.

The fair values of the Company's cash, tenement bond, receivables, accounts payable and due to related parties approximate their carrying values due to the short-term maturity of these financial instruments. The fair value of a reclamation deposit (long-term) approximates its carrying value – the deposit was returned to the Company subsequent to the yearend.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk and market risk, which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided below.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is held in Canadian and Australian financial institutions with strong credit ratings. The Company does not have any asset-backed commercial paper. The Company has minimal credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual maturities of financial liabilities of the Company as of July 31, 2012 equal $374,831 (July 31, 2011 - $181,615; August 1, 2010 - $274,452).

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The significant market risk exposures to which the Company is exposed are:

(i) Foreign currency risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily Australian dollars ("AU$")). The Company does not manage currency risk through hedging or other currency management tools. As at July 31, 2012 the Company has net assets of $4,009 (July 31, 2011 - net liabilities of $7,041; August 1, 2010 - net assets of $5,065) denominated in AU$. For the year ended July 31, 2012, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in AU$ by 7 % (2011 - 11%) will not have a material effect on the Company's business, financial condition and results of operations. The Company does not manage currency risk through hedging or other currency management tools.

(ii) Interest rate risk

Interest rate risk consists of the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not exposed to significant interest rate risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company has no exposure to other price risk at July 31, 2012 and 2011.

Subsequent to the year end / Proposed transactions

Subsequent to July 31, 2012, the following events occurred:

(a) On October 31, 2012, the Company closed a private placement, issuing 14,644,000 units at a price of $0.05 per unit for gross proceeds of $732,200. Each unit consists of one common share and one common share purchase warrant to purchase one common share of the Company at a price of $0.10 for a period of two years.

(b) In October 2012, the Company signed an agreement that confirmed and formalized a LOI signed in July 2012 with a group of Canadian investors to acquire a 100% interest in the Rurembo Prospecting License in the Republic of Rwanda. Pursuant to the agreement, 6,000,000 shares of the Company will be issued to the optionors within ten business days after the agreement has been approved by the TSX-V. A further 6,000,000 shares of the Company will be issued to the optionors within ten business days after the prospecting license is upgraded to an exploration permit prior to the expiration of the prospecting license on February 22, 2014.

Additionally, the agreement requires that the Company pay the optionors $100,443 within ten business days of approval of the agreement by the TSX-V, and a further $100,443 if the prospecting license is upgraded to an exploration permit prior to the expiration of the prospecting license on February 22, 2014. The debt can be settled in full, at the discretion of the optionors, by issuing the optionors shares of the Company at an agreed value of $0.05 per share.

The Company must also incur exploration expenditures of $500,000 by February 28, 2013 and a further $500,000 by February 21, 2014.

This agreement is still subject to TSX-V approval.

Transition to International Financial Reporting Standards

The following summarizes the impact of the transition from previous GAAP to IFRS on the Company's financial position and comprehensive loss is set out in this note.

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transition date, with all adjustments to assets and liabilities as stated under previous GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle.

(a) Impairment

Under IFRS, if indication of impairment is identified, the asset's carrying value is compared to the asset's discounted cash flows. If the discounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value. Under previous GAAP, if indication of impairment is identified, the asset's carrying value is compared to the asset's undiscounted cash flows. The Company completed an impairment review of its assets at August 1, 2010 and concluded that the assets were not impaired in accordance with IFRS.

Below are mandatory IFRS exemptions applied by the Company at the transition date.

(b) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of August 1, 2010 are consistent with its previous GAAP estimates for the same date.

Below are optional exemptions taken by the Company at the transition date.

(c) Business combinations

The Company elected not to apply IFRS 3 *Business Combinations* to business combinations that occurred prior to transition to IFRS on August 1, 2010.

(d) Share-based payments

The Company has elected to not apply IFRS 2 *Share-based Payment* to options that vested prior to the transition date of August 1, 2010.

Below are adjustments required by the Company in accordance with IFRS:

(e) Flow-through shares and units

Under Previous GAAP, the accounting treatment of flow-through shares was addressed by EIC 146 *Flow-through Shares*, which required the proceeds received for the flow-through shares to be credited to shareholders' capital and the deferred tax liability recognized when the Company files the renouncement documents with the tax authorities to renounce the tax credits associated with the expenditures.

Under IFRS, the Company sets up a liability for the difference between the proceeds received and the market price of the shares on the date of the transaction (the "premium"). As the expenditures are made, the Company will record the related tax liability associated with the renouncement of the tax benefits and remove the liability originally set up. The difference between the tax liability and the original liability set up will go through net income (loss). This has resulted in an increase in share capital of $254,753 as at July 31, 2011 (August 1, 2010 - $43,907), and an increase in deficit of $254,753 (August 1, 2010 - $127,875).

(f) Statement of cash flows

No material changes to cash flows resulted from the transition to IFRS.

The previous GAAP statement of comprehensive loss for the year ended July 31, 2011 has been reconciled to IFRS as follows:

	GAAP	Effect of Transition to IFRS	IFRS
Expenses			
Management fees	$ 241,511	$ 0	$ 241,511
Share-based payments	110,274	0	110,274
Travel, promotion and shareholder costs	105,332	0	105,332
Professional fees	89,019	0	89,019
Property investigation	81,960	0	81,960
Office and miscellaneous	65,358	0	65,358
Rent	27,054	0	27,054
Property maintenance	20,286	0	20,286
Transfer agent fees	11,199	0	11,199
Stock exchange fees	10,681	0	10,681
Flow-through share financing costs	211	0	211
Write-down of expenditures on mineral property interests	591,938	0	591,938
Oil and gas revenue	(13,865)	0	(13,865)
Amortization	24,779	0	24,779
Loss Before Deferred Income Tax Recovery	(1,365,737)	0	(1,365,737)
Deferred Income Tax Recovery (note 18(e))	210,846	(126,878)	83,968
Net and Comprehensive Loss for the Year	$ (1,154,891)	$ (126,878)	$ (1,281,769)

The previous GAAP statements of financial position as at August 1, 2010 and July 31, 2011 have been reconciled to IFRS as follows:

	As at July 31, 2011			As at August 1, 2010		
	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IRFS
ASSETS						
Current assets						
Cash	$ 263,179	$ 0	$ 263,179	$ 573,353	$ 0	$ 573,353
Reclamation deposit	0	0	-	18,000	0	18,000
Tenement bond	2,101	0	2,101	11,164	0	11,164
Receivables	47,658	0	47,658	37,326	0	37,326
Prepaid expenses	49,515	0	49,515	78,360	0	78,360
	362,453	0	362,453	718,203	0	718,203
Reclamation Deposit	10,000	0	10,000	10,000	0	10,000
Equipment	82,460	0	82,460	23,224	0	23,224
Mineral Property Interests	1,875,498	0	1,875,498	1,176,543	0	1,176,543
	$ 2,330,411	$ 0	$ 2,330,411	$ 1,927,970	$ 0	$ 1,927,970
LIABILITIES						
Current						
Accounts payable and accrued liabilities	$ 79,513	$ 0	$ 79,513	$ 178,829	$ 0	$ 178,829
Due to related parties	102,102	0	102,102	11,655	0	11,655
Flow-through share premium (note 18(e))	0	0	0	0	83,968	83,968
	181,615	0	181,615	190,484	83,968	274,452
SHAREHOLDERS' EQUITY						
Share capital (note 18(e))	29,093,672	254,753	29,348,425	27,754,111	43,907	27,798,018
Reserves	1,237,575	0	1,237,575	1,010,935	0	1,010,935
Deficit (note 18(e))	(28,182,451)	(254,753)	(28,437,204)	(27,027,560)	(127,875)	(27,155,435)
	2,148,796	0	2,148,796	1,737,486	(83,968)	1,653,518
	$ 2,330,411	$ 0	$ 2,330,411	$ 1,927,970	$ 0	$ 1,927,970

Critical accounting estimates

Critical accounting estimates are used in the preparation of the financial statements. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the company's control. The factors affecting stock based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend, among other things, upon a variety of factors including the market value of company shares and financial objectives of the holders of the options. The Company has used historical data to determine validity in accordance with Black-Scholes modeling, however, the future volatility is inherently uncertain and the model has its limitations. While these estimates can have a material impact on the stock based compensation and hence results of operations, there is no impact on the Company's financial condition. The Company's recorded value of the Company's mineral properties is in all cases based on historical costs that are expected to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership and political risk, funding and currency risk as well as environmental risk. The Company's financial statements have been prepared with these risks in mind. All of the assumptions set out herein are potentially subject to significant change and out of the company's control. These changes cannot be determined at this time.

Disclosure controls

Management of the Company, consisting of the Chief Executive Office and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, they have concluded that, as of the end of the period covered by this Management's Discussion and Analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms as defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Internal controls

The President or the Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with Canadian GAAP.

The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis. Based on this assessment, it was determined that a potential weakness existed in respect to internal controls over financial reporting. As with many small companies, the limited segregation of duties and effective risk assessment were identified as areas of potential weakness. The existence of these weaknesses is mitigated by close monitoring by the Chief Financial Officer and the Chief Executive Officer.

Risks and uncertainties

The Company is in the mineral exploration and development business and as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The industry is capital intensive and is subject to fluctuations in market sentiment, metal prices, foreign exchange and interest rates. There is no certainty that properties which the Company has described as assets on its balance sheet will be realized at the amounts recorded. The only sources of future funds for further exploration programs or, if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Although the Company has been successful in accessing the equity market during the past years, there is no assurance that such sources of financing will be available on acceptable terms, if at all.