Introduction

The following management discussion and analysis has been prepared as of **November 26, 2013**. It should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2013. 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. In normal years the Company's 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. 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 stress for the Company: notwithstanding redirected exploration efforts away from gold, copper, nickel and platinum group elements (PGE) projects in the Yukon Territory and towards tin, tantalum and niobium exploration in equatorial Africa the Company was unable to maintain its momentum or raise sufficient additional capital to continue its work on the Rurembo license in the Republic of Rwanda. The Company also suffered the loss of its President and Chief Executive Officer, Randy Rogers, who passed away in March 2013. Following the passing of Mr Rogers the Company appointed Dr David Stone, P. Eng., a director of the Company, to be President and Chief Executive Officer and the Company spent the balance of its fiscal year, and the months since July 31, 2013 addressing its liquidity challenges and seeking new exploration opportunities.

Exploration activities for the year ended July 31st, 2013:

Republic of Rwanda

The Company executed a Letter of Intent on July 11, 2012 to option the Rurembo Prospecting Licence which allowed prospecting for Wolframite, Cassiterite and Coltan for a non-renewable term of two years from February 22, 2012 to February 21, 2014. The Letter of Intent was converted to a formal Option Agreement on October 5, 2012.

The terms of the acquisition included the issue of 12,000,000 common shares to the optionors; 6,000,000 shares to be issued following receipt of TSX Venture Exchange approval and the remaining 6,000,000 common shares to be issued upon the prospecting licence being successfully converted to an exploration or production licence prior to its expiry on February 21, 2014. The Company was required to carry out up to $1,000,000 on exploration on the Property over two years ($500,000 per year) which exploration expenditure would terminate upon the prospecting licence being converted. Following approval by the TSX Venture Exchange, the optionors were also to be repaid one half of the loans from them to a company holding the property of approximately $200,000.

The acquisition was approved by the TSX-V in February 2013 and on March 6, 2013 the Company issued the first tranche of 6,000,000 shares to the optionors with an agreed value of $300,000 and a fair value, in terms of International Financial Reporting Standards, of $120,000.

Full details of the Prospecting License were provided in the Management's Discussion and Analysis for the fiscal year ended July 31, 2012 filed on SEDAR on November 27, 2012.

The Prospecting Licence covered 110,984 hectares in northwestern Rwanda extending from the town of Gitarama in the south to the city of Ruhengeri in the North. The Project was 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 Company 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. Field crews were mobilized to Rwanda in August 2012.

An inventory of current and historical artisanal mining activity was contracted to Rwandan geologists in September 2012 to help guide exploration. The Company's field crews conducted preliminary exploration within the licence area from August to October of 2012 and completed an interpretation of geophysical data early in 2013.

Analysis was carried out of historical airborne geophysics and a Canadian based geophysicist conducted preliminary lineament interpretation from a detailed orthophotographic base that the Company acquired from Rwandan government records. The preliminary exploration program was directed at establishing a solid foundation for conventional regional and property scale mineral exploration scheduled to begin early in the spring of 2013. Exploration was confined to ground-truthing the government topographic and geological database as significant errors with reported UTM coordinates of topographic and geological features were encountered early in the program. Access proved difficult with many of the secondary and tertiary roads mislocated in governmental mapping, and in many cases bridges and river crossings that existed prior to the genocide were found to be absent in the field.

Gipfizi Ridge was identified as one of five high priority areas following the Company's analysis of airborne geophysical data and geological mapping in the Licence area. This target included a zone of active artisanal mine sites identified in the inventory completed by the Company's geological contractors. The Company identified compelling airborne geophysical anomalies encompassing an area of known artisanal tin and Coltan production and significant extensions of those anomalies over a sinuous belt extending 22 kilometers in length suggested that the mineralized pegmatites could continue well beyond the limited surface exposures accessible to the artisanal miners. The Company hired local labourers to excavate test pits under the direct supervision of geological contractors. Representative samples were obtained from exposures of pegmatite dykes in this area and bulk samples of alluvial and eluvial material were concentrated in the field to assess the previously unexplored placer potential of the ground adjacent to the mineralized dykes. Results were considered to be encouraging.

The Company spent a total of $472,943 on the property during the fiscal year ended July 31, 2013, of which 61% was on personnel, 28% was on travel, accommodation and field costs and 11% was on associated administrative costs.

In the stressed capital market environment the Company was unable to raise further finance to continue with the project. It was unable to repay the optionors one half of their loans to the project, as agreed. The Company therefore returned the project to the optionors on June 25, 2013, with all associated data, and recorded an impairment of $614,931.

Ten Mile Creek, Yukon

Although the Company had ceased work at the Ten Mile Creek property prior to July 31, 2012 it had carried forward a balance of $8,381 that represented the value of a camp that it had rented to other prospectors. Following the termination of the rental arrangement and the dismantling of the camp the Company wrote off its investment and recorded an impairment of $8,381 during the year ended July 31, 2013.

South West Yukon

In the 2012 fiscal year due to a shortage of funds certain Yukon mineral claim groups were abandoned as assessment credits expired. The Company maintained ownership of three claim groups, being Pacer, Outpost and Rosie, but wrote down their carrying value to $1 per group following asset impairment testing in accordance with International Financial Reporting Standards.

During the 2013 fiscal year, as part of a debt settlement agreement with the late Chief Executive Officer, the three claims groups were transferred to a company owned by his estate for an agreed value of $20,000. The Company recognized a gain on disposal of mineral property interests of $19,997.

Sleitat Mountain, Alaska

The Company has for many years owned a 20% interest in the Sleitat Mountain Tin-Tungsten-Silver deposit near Dillingham, southwest Alaska. The balance of 80% interest in the property is held by Osisko Mining Corp. In July 2013 the Company sold its interest for $60,000 and recognized a gain on disposal of mineral property interests of $59,999.

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. Nine mineral claims remain valid until December 31st, 2015. These claims have no book value.

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

Other Exploration Programs and Activities

Solomon's business model is that of a Project Generator. To rebuild 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 Company has available to it exploration expertise with a wealth of intellectual capital and experience in African mineral exploration and development.

Subsequent to July 31, 2013

The Company has not conducted any exploration activities subsequent to July 31, 2013.

Financial analysis

Selected annual information

		2013	2012	Comment
Total Revenue	$	10,010	11,701	1
General and administrative expenses				
Total general and administrative expenses	$	498,356	500,816	2
Management fees	$	108,471	165,073	3
Share based payments	$	34,540	45,543	4
Office and miscellaneous	$	104,525	44,144	5
Professional fees	$	156,207	53,079	6
Mineral property investigation	$	-	27,486	7
Mineral property maintenance	$	2,805	21,254	8
Amortization, less amortization capitalised	$	-	43,153	9
Other income and expense items				
Impairment of mineral property interests	$	(623,312)	(2,127,111)	10
Gain on disposal of mineral property interests	$	79,996		11
Gain on settlement of liabilities	$	35,000		12
Recovery of expenditures on mineral properties	$	10,310	57,868	13
Gain (loss) on disposal of equipment	$	14,322	(10,641)	14
Net loss before income tax	$	(972,030)	(2,569,569)	15
Net loss per share (basic and fully diluted)	$	(0.02)	(0.10)	
Weighted average shares in issue		41,180,449	25,990,737	
Share capital at end of period				
Shares in issue		48,313,972	26,669,972	16
Options and warrants		20,537,600	5,238,734	17
Fully diluted share capital at end of period		68,851,572	31,908,706	
Other cash flows				
Proceeds on issue of shares	$	383,023	433,488	
Cash spent on mineral property interests	$	(400,047)	(390,464)	
Other balance sheet items				
Total assets	$	38,692	425,089	18
Working capital	$	(369,209)	33,867	19

Comparative information for 2011:

Revenue from royalties: $19,730
Net loss for the year: $1,281,769
Net loss per share: $0.05
Total assets: $2,330,411
Long term debt: Nil

Comments

1 Revenue comprises oil and gas royalty receipts.

2 Although the total for general and administrative costs was almost identical in the two years under review, there were significant differences in specific expense items.

3 Total fees paid to management, including a relative of a director, dropped slightly in FY2013 largely due to the passing of the CEO in March 2013. More relevantly, a significantly higher amount of management fees in FY2013 was capitalized to mineral properties than in FY2012, thus reducing the amount expensed to income.

4 The drop in the amount of share based payments is due to the, lower prevailing stock price in FY2013 compared to FY2012.

5 The increase in office and miscellaneous expense is mostly attributable to the penalty payable to the landlord when the Company's office was vacated at the end of April 2013.

6 The increase in professional fees in FY2013 is due to (a) fees in respect to winding up the Company's Australian subsidiary and (b) legal fees relating to outstanding debts. In each case the fees were ultimately settled through the issue of shares to the respective service providers in September 2013.

7 In contrast to FY2012, in FY2013 the Company did not investigate any mineral properties that it did not have a claim to.

8 In contrast to FY2012, in FY2013 the Company did not incur any expenses on mineral properties that it had previously relinquished.

9 In contrast to FY2012, in FY2013 all of the Company's assets were situated on mineral properties and thus amortization was capitalized to those properties.

10 In FY2012 the Company wrote down its investment in the Yukon Territory following its inability to raise capital and thus continue working on its owned and optioned properties. The value of the properties written down had built up over two or three years. In FY2013 the write off arose when the Company returned the Rurembo property in Rwanda that it had optioned towards the end of FY2012. The write off relates to expenditures incurred in both cash and through the issue of shares.

11 In FY2013 the Company sold its tin property in Alaska, with a book value of $1, for $60,000 and settled a related party debt of $20,000 through the transfer of mining claims with a book value of $3.

12 In FY2013 certain related party liabilities with a book value of $50,000 were settled by the issue of 1,000,000 common shares with a fair value of $15,000.

13 Recoveries in FY2012 related to properties previously relinquished in British Columbia and the Yukon Territory. In FY2013 recoveries related to properties given up in the Yukon Territory and the sale of the Company's interest in the Sleitat tin property in Alaska.

14 The loss in FY2012 arose from the disposal of equipment in the Yukon Territory when the Company relinquished its interests there. In FY2013 the Company incurred a loss on disposal of equipment in Rwanda but this was more than offset by a gain on disposal of equipment to the Chief Executive Officer under a debt settlement agreement.

15 The lower loss in FY2013 is mostly attributable to the lower write off of expenditures on mineral properties.

16 The increase in shares in issue between August 1, 2012 and July 31, 2013 is due to the issue of 14,644,000 shares for cash (of which $300,000 was received as an advance subscription in the prior year), 6,000,000 shares for a mineral property interest and 1,000,000 as part of a debt settlement agreement.

17 The increase in options and warrants is predominantly due to the issue of warrants to investors subscribing for new shares in cash in September and October 2012.

18 Total assets at July 31, 2013 were comprised almost entirely of cash in bank accounts and reflect the near dormant position of the Company at the balance sheet date. At July 31, 2012

the Company had a more normal spread of assets. Between August 1, 2012 and July 31, 2013 the Company's assets appreciated with its expenditures in Rwanda but declined prior to the year end when those expenditures were written off.

19 The negative working capital position of the Company at July 31, 2013 reflects the high value of creditors that were unpaid at that time. Subsequent to July 31, 2013 payables with a value of $281,051 have been settled through the issue of 5,621,020 shares with a deemed value of $0.05 each. The balance of the payables was settled in full subsequent to the year end from proceeds received from the sale of the Company's interest in an oil and gas royalty stream.

Summary of quarterly results for the last eight quarters

		As previously reported. Unaudited.			
Fiscal 2013		1st quarter	2nd quarter	3rd quarter	4th quarter
Revenues	$	1,724	1,852	5,164	1,270
Comprehensive income (loss)	$	(92,891)	(228,174)	(900,088)	249,123
Comprehensive income (loss) per share	$	0.00	(0.01)	(0.01)	-

Fiscal 2012		1st quarter	2nd quarter	3rd quarter	4th quarter
Revenues	$	673	580	6,422	4,026
Comprehensive loss	$	(77,678)	(155,653)	(1,940,738)	(395,500)
Comprehensive loss per share	$	(0.01)	(0.01)	(0.07)	(0.01)

Notes:

1. Revenue consists of gas royalties.
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. Revenues in the 4th quarter of FY2013 were lower than those in the 4th quarter of FY2012 due to the variable timing of royalty receipts.
7. The difference in the levels of comprehensive income (loss) between the 4th quarters of FY2013 and FY2012 respectively arises from a different timing in respect to mineral property impairments and year end audit adjustments.

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 comparative 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 $22,678. 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 year-end $300,000 had been raised as subscriptions.

2013 fiscal year

The Canadian capital markets in the 2013 fiscal year continued to be extremely challenging, especially for junior resource companies.

The Company closed a private placement in October 2012 and raised $732,200 (gross), of which $300,000 had been received as subscriptions prior to July 31, 2012. 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, with a calculated value of $8,970.

Efforts to raise further capital in the early months of calendar 2013 were unsuccessful. The Company was thus forced to abandon its option on the Rurembo property in the Republic of Rwanda as a result of being unable to fund, or postpone, both a debt repayment that was due to the optionors and the work commitment for the balance of the option period.

The Company spent a total of $472,943 (2012 - $390,464) in cash in exploring its mineral properties in the year ended July 31, 2013, all of which was spent on the Rurembo license in the Republic of Rwanda. During fiscal 2013 the Company issued 6,000,000 shares with a deemed value of $300,000 and a fair value of $120,000 to secure mineral property options in Rwanda (in FY2012 the Company did not make any payments nor issue any shares to secure mineral property options).

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, 2013, the Company carried no long-term debt and had no lease commitments at the year-end. The Company terminated its lease on its office in Vernon BC on April 30, 2013 and incurred charges for unamortized leasehold improvements of $42,000 and a penalty of two months' rent, being $6,000. The charges were settled partly in cash and partly by the issue of shares. (In the previous fiscal year the Company recorded lease commitments for the Company's office in Vernon BC as $3,000 per month until February 29, 2016).

The Company had negative working capital at July 31, 2013 of $370,497 (2012 - $33,867). $37,403 was held in cash (2012 - $281,261). Subsequent to July 31, 2013 payables with a value of $281,051 have been settled through the issue of 5,621,020 shares with a deemed value of $0.05 each. The balance of the payables have been settled since July 31, 2013 using the proceeds of the sale of the Company's interest in an oil and gas royalty.

Outstanding Share Data

At the date of this discussion document the Company has 53,934,992 shares in issue; outstanding options to purchase 3,485,000 common shares; and outstanding warrants to purchase 16,997,600 common shares. The warrants all have exercise prices of $0.10. The remaining life of the warrants ranges from four days to eleven months and have a weighted average remaining life of 9.43 months.

Off balance-sheet arrangements

The Company has no off-balance sheet arrangements.

Changes in accounting policies

There were no changes in accounting policies during the year ended July 31, 2013.

Proposed transactions

Although the Company is diligently researching new opportunities there are currently no proposed transactions.

Commitments

The Company does not currently have any commitments

Transactions with related parties

Randy Rogers, the late President and Chief Executive Officer of the Company, provided 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 2013 were $105,000 paid in cash (2012 - $106,500) and share based payments with a fair value of $6,280 (2012 - $9,690).

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 2013 were $63,283 (2012 - $70,933) paid in cash and share based payments with a fair value of $6,280 (2012 - $9,690).

A relative of a director provided administrative support services until January 31, 2013 at a rate of $30 per hour and received fees of $21,435 paid in cash (2012- $32,670) and share based payments valued at $1,570 (2012 - $2,261).

Stock options to purchase 1,100,000 shares at $0.10 per share were granted to directors, officers, advisers and contractors in 2013 (2012 – 705,000 shares at $0.10 per share). No stock options were exercised by officers and directors in 2013 (2012 – nil).

During the year ended July 31, 2013 the Company settled an amount of $93,501 (2012 - $nil) owing to Randy Rogers, the late President and Chief Executive Officer, and his company Longford Exploration Services Inc as follows:

i. For an amount owing of $50,000, issued 1,000,000 shares with a total fair value of $15,000 for a gain on settlement of $35,000;

ii. For an amount owing of $20,000, transferred mineral property claims with a book value of $3 for a gain on disposal of $19,997; and

iii. For an amount owing of $23,501, transferred exploration equipment with a book value of $nil for a gain on disposal of $23,501;

During the year ended July 31, 2013 the Company settled an amount of $5,541 (2012 - $nil) owing to a relative of a director by the transfer of office equipment with a book value of $5,771 for a loss on disposal of $230.

The due to related parties balance of $130,682 (2012 - $306,129) consists of amounts payable to directors and a relative of a director.

Apart from the above, there were no transactions with related parties in fiscal 2013.

Financial instruments and other instruments

The Company's financial instruments include cash, receivables, accounts payable and accrued liabilities, and due to related parties.

The Company's cash of $37,403 at July 31, 2013 consisted of cash in the Company's bank accounts. Receivables and payables of $1,288 and $407,901 respectively are normal course business items that are usually settled within thirty days, with the exception of payables due to related parties totalling $130,682 (2012 - $306,129) which were deferred and/or paid in shares.

The fair values of the Company's receivables, accounts payable and accrued liabilities and due to related parties approximate their carrying values due to the short-term maturity of these financial instruments.

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 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. At July 31, 2013, the Company has cash of $37,403 (2012 - $281,261), which is not sufficient to meets its short-term business requirements for the ensuring year. At July 31, 2013, the Company has accounts payable and accrued liabilities of $277,219 (2012 - $68,702) and amounts due to related parties of $130,682 (2012 - $306,129). Accounts payable and accrued liabilities have maturities of 30 days or less. Amounts due to related parties have no specified terms of repayment. Subsequent to year-end, the Company entered into shares-for-debt agreements to settle liabilities of $281,051.

(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 not exposed to significant foreign currency risk. The Company does not manage currency risk through hedging or other currency management tools. As at July 31, 2013 the

Company has net assets of $nil (2012 - $4,009) denominated in Australian dollars ("AU$"). 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. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

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, 2013 and 2012.

Subsequent to the year end

Subsequent to July 31, 2013:

The Company settled indebtedness of $281,051 (2012 - $nil) by the issuance of 5,621,020 shares. Included in this amount is $123,457 payable to current and former directors, officers and employees. The shares are subject to a four month restriction on transfer expiring February 8, 2014;

The Company sold its oil and gas royalty interest in the Quirk Creek property for gross proceeds of $56,250 and used the proceeds to settle Company debts.

55,000 options with an exercise price of $2.50 expired unexercised.

Critical accounting estimates

Critical accounting estimates, assumptions and judgments made by management that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Impairment of mineral property interests

The Company assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered the higher of fair value less cost to sell and value in use. As the Company terminated the Ten Mile Creek and Rurembo option agreements, management has written off all capitalized costs and assessed the Company has no ongoing obligations related to those option agreements.

(ii) Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred.

The obligation generally arises when the asset is installed or the ground/ environment is disturbed. When the liability is initially recognized, the present value of estimated costs is capitalized by increasing the carrying amount of related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognized immediately in profit or loss.

The Company has determined that no rehabilitation provision is applicable.

(iii) Share-based payments

The Company records all share-based payments using the fair value method. The Company uses the Black-Scholes option pricing model to determine the fair value of the stock options and warrants. The main factors affecting the estimates of the fair value of these equity instruments are the expected life of the equity instruments, risk-free interest rate, the stock price volatility used and the forfeiture rate for stock options. The Company currently estimates the expected volatility by using the average volatility of mature similar listed entities.

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.

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.