
Introduction

The following management discussion and analysis has been prepared as of November 15, 2004. It should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2004. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and all numbers are reported in Canadian dollars.

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.

Background

Solomon Resources Ltd is a junior mineral exploration company. Its assets consist of mineral properties, cash and investments. The Company funds its operations either through the sale of shares of the Company or through the sale of its investments. The mineral exploration business is very high-risk. The two most significant risks for the Company are:

1) The chances of finding an economic ore body are extremely small.
2) The junior resource market, where the company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as it requires them.

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

Overall performance

Success in the junior mining exploration business is measured by a company's ability to raise funds, secure properties of merit and, in a few rare cases, identifying an economic ore body on one of its properties. Not all of these factors are within management's control.

The ability to raise funds is in part dependent on the state of the junior resource stock market, which in turn is dependent on the economic climate, metal prices and perceptions as to which way the market is headed. The junior resource market started to improve in 2002 after several years in the doldrums.

The ability to secure properties of merit is in large part dependent on management's contacts. However, while the resource market was in decline, little new exploration was going on and few new properties of merit were identified, so there is still a shortage of supply.

In the past two years Solomon has raised $385,837 from the sale of its shares and $1,870,316 (net of acquisitions) from the sale of its investments.

The Company has interests in resource properties in Australia, Burkina Faso, Chile, the United States and Canada. Details of the agreements through which the Company is earning, or has earned its interest in its resource properties can be found in Note 7 to the audited financial statements.

The following is a summary of the Company's exploration activities in the past two years:

In September 2002 the Company completed three, widely spaced one kilometre lines of induced polarization (IP) survey on the Red property in north-central BC to test for both a mineralized gabbroic intrusive body and/or deeper porphyry-style mineralization. After completing ground geophysical surveys and geological mapping , the results suggested that additional expenditure was not warranted and both properties were relinquished back to the vendor October 31, 2002.

Prior to optioning the San Ramon property in Region III in northern Chile in October 2002, the Company had conducted a 90-day due diligence period from June to October 2002 that included:

- Property scale geological mapping;
- Collection and analysis of 157 rock samples;
- A 15 line-km induced polarization geophysical survey;
- A 16km^2 Bouguer gravity geophysical survey (256 points);
- A 9.5 line km radiometric survey; and
- A preliminary legal tenure investigation.

In February 2003, the Company completed a four hole, 1,408m reverse circulation drill program at Sam Ramon to test for a large bulk tonnage iron-oxide copper-gold (IOCG) deposit. Although a single intersection of high grade Cu-Au vein mineralization with significant cobalt values was encouraging, no bulk tonnage potential was apparent and the property was relinquished back to the vendor in April, 2003.

In February of 2003, the Company optioned the Bouleau gold property in the Vernon area of British Columbia. Due to forest fires in the region, the Company was restricted from accessing the area to complete work during the 2003 season.
In June of 2004, the Company completed 6.5km of baseline and a GPS survey of claims on the Bouleau property.

In March 2003, the Company entered into an agreement to acquire claims in the Battle Mountain area of Nevada, USA. The Company financed the data compilation and staking of a 2,023 ha land package at Beowawe along the Battle Mountain – Eureka Mineral Belt where historic geothermal wells in the area reported near surface, mineralization of up to 6 ppm Au over 200 foot intervals based on preliminary geochemical results. The staking was undertaken in April and May of 2003.In October 2003, Company personnel conducted a field visit of the area as part of its project due diligence. The Company was unable to resolve differences with the partner and declined to participate further in the project.

In April 2003, the Company staked the Annie exploration claims and purchased the Santa Candelaria II 1/5 claim in Region III of northern Chile to cover prospective IOCG target areas. At this same time, the Company also incorporated a Chilean subsidiary, Solomon (Chile) SCM.
In January 2004, the company completed 24 lines totaling 85.3 line-km of ground magnetometer geophysical survey work on the Annie and Santa Candelaria claims. This included roughly 24 line-km of detailed magnetometer survey work and a detailed Bouguer gravity geophysical survey (5km^2; 415 stations) on the Santa Candelaria claim area.
In May 2004, the Company completed a three hole, 1,020m diamond drill program on the Santa Candelaria claim in Chile based on results from the earlier geophysical surveys. All three holes encountered significant vein-style IOCG mineralization.

In November 2003, the Company completed an 800m, 16 holes reverse circulation drill program at the Lucky Bay prospect on its Kalgoorlie Southeast Project in Western Australia. The program was successful in confirming the presence and continuity of a previously indicated zone of moderate to high grade supergene gold mineralization. Highlights from the drilling included hole LBRC005, which intersected 16m grading 11.93 g/tonne gold and included an interval of 7m grading 21.26 g/tonne gold.

In February 2004, the Company optioned the Metla gold-silver-base metal property in northwest British Columbia. Subsequent to this, the Company, both in partnership with the vendor and independently, began staking additional properties in the area. When completed in March, the Metla Project consisted of five properties covering over 13,000ha, including: Metla, Tatsa, Checkmate, La Veta and BWM.

Field work on the Metla Project commenced in July of 2004. A helicopter supported, six-person crew worked 40 days in the field conducting geological and geochemical surveys on all five of the Metla Project properties.

Selected annual information

	2004	2003	2002
Total Revenue	$85,958	$55,714	$61,059
Other Items	$627,204	$97,328	$85,851
Net income (loss)	$254,853	($266,706)	($243,242)
Net income (loss) per share	$0.01	($0.01)	($0.01)
Total assets	$4,686,357	$4,043,603	$4,195,393
Working capital	$276,775	$501,694	$539,582

Notes:

1) The total revenue consists of gas royalties and interest income.
2) There were no discontinued operations or extraordinary items in the years under review. Other items include gain on sale of investments, write down of investments, foreign exchange loss, tenement rehabilitation costs, resource property write-downs and gain on sale of properties.
3) The basic and diluted income (loss) per share numbers were the same in each of the years under review.
4) The Company had no long-term financial liabilities for the years under review.
5) The Company has no history of declaring dividends.

The significance of these numbers is discussed under "results of operations" and "liquidity and capital resources".

Results of operations

	2004	2003
Net income (loss)	$254,583	($266,706)
Gain on sale of investments	$850,737	$710,768
Gain on sale of properties	$0	$118,487
General and administrative costs	$459,309	$419,748
Stock option compensation	$0	$0
Foreign exchange loss	$48,331	$3,745
Resource property write-downs	$181,294	$734,103

In fiscal 2004, the Company had net income of $254,583 as compared to a net loss of $266,706 for fiscal 2003. The following discussion explains the variations in the key components of these numbers, but as with most junior exploration companies 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.

In fiscal 2004 and 2003 the Company sold a significant amount of its investments in other resource issuers to finance its ongoing operations. This resulted in proceeds on sale of $1,010,275 and $890,041 respectively and corresponding book gains of $850,737 and $710,768. The book gains do not represent the actual gains on sale that the Company made as some of the investments had been written down to market value in prior years. The market value of the Company's remaining investments at July 31, 2004 is $481,512. This is unlikely to represent what the Company can expect to realize from these investments, for, as has been pointed out earlier, the junior resource stock market is very volatile.

The gain on sale of properties in 2003 was the sale of the Company's mill in Alaska.

The Company's general and administrative costs have stayed relatively constant at approximately $450,000, over the past two years. The major expenses are (I) management and geological fees paid to the Company's president, Larry Nagy - $108,000 in 2004 and $117,000 in 2003 and (2) professional fees paid to consultants-$142,988 in 2004 and $88,273 in 2003. Professional fees for 2004 include $75,300 paid to Dave Tupper for geological consulting, $21,750 paid to the Company's auditors, $15,250 paid to Bob Evans for accounting and administration services and $12,000 paid to Ron Netolitzky for geological consulting. Promotion and shareholder information costs include $36,000 ($3,000 per month) paid to John Kocela for investor relations services.

Stock option compensation expense 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 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. The Company did not issue any new stock options in 2004. In fiscal 2003 the Company granted 1,220,000 stock options. The Company was not at that time recording stock option expenses, had it done so the expense would have been $140,788, and would have increased the loss for the year by the same amount.

The Company writes off 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 expense in 2004 was as a result of the Company writing off its Beowawe project in Nevada. In 2003 the major expense was as a result of the Company writing off its San Ramon project in Chile.

Summary of quarterly results

Fiscal 2004	First quarter	Second quarter	Third quarter	Forth quarter
Total revenues	$13,960	$19,134	$12,487	$41,377
Net income (loss)	$198,562	($122,066)	($95,980)	$274,337
Net income (loss) per share	$0.01	($0.00)	($0.00)	$0.01

Fiscal 2003	First quarter	Second quarter	Third quarter	Forth quarter
Total revenues	$10,493	$9,993	$15,170	$20,058
Net income (loss)	$64,266	($47,504)	($428,597)	$145,129
Net income (loss) per share	($0.00)	($0.00)	($0.01)	$0.00

Notes:

1) The total revenue consists of gas royalties and interest income.
2) There were no discontinued operations or extraordinary items in the periods under review.
3) The basic and diluted income (loss) per share numbers were the same in each of the periods under review.

Quarterly results can vary significantly depending on whether the Company has realized any gain on sale of its investments, abandoned any properties or granted any stock options. See "results of operations".

Liquidity and capital resources

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 investments 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 stock to the vendor of the property as partial or full consideration for the property.

In 2003 the Company raised a net $100,000 by the private placement of 666,667 units of the Company at $0.15 per unit. Each unit consisted of a share and a non-transferable warrant exercisable at $0.20 to December 2003 or $0.25 to December 2004. In 2003 the Company also issued 63,250 shares as option payments on resource properties.

In 2004 the Company raised $200,000 by the private placement of 1,000,000 flow through units of the Company at $0.20 per unit. Each unit consisted of a flow through share and a non-transferable flow through warrant exercisable at $0.25 to June 2005. In addition the Company received $66,667 through the exercise of 333,334 warrants and $33000 through the exercise of 220,000 stock options.

At July 31, 2004 Solomon had 31,187,531 shares outstanding, 1,670,000 stock options outstanding, at a weighted average exercise price of $0.18 and 1,352,833 warrants exercisable at weighted average exercise price of $0.26 exercisable at various times to June 2005.

As discussed in “the results of operations” section the Company raised $1,010,275 in 2004 and $890,041 in 2003 through the sale of its investments in other resource companies. This is a finite source of revenue and will not continue at the current rate.

At July 31, 2004 the market value of the Company’s remaining investments was $481,513.

In 2004 the Company spent $723,132 on acquiring and exploring mineral properties. The corresponding number in 2003 was $752,498.

At July 31, 2004 the Company had no long-term debt or other commitments. Its working capital was $276,755, of which $313,975 was held in cash and cash equivalents. This along with the value of the Company’s remaining investments is sufficient to cover the cost of operating the Company for two years. The Company has no major work programs planned for its existing mineral properties. It is currently evaluating how best to proceed with each property and is at the same time evaluating potential new property acquisitions. Any significant acquisition or exploration program would likely require the raising of additional funds.

Off balance-sheet arrangements

The Company has no off-balance sheet arrangements.

Transactions with related parties

Larry Nagy, a director, president and chief executive officer of the Company provides management and geological services to the Company through his private company, Tincup Wilderness Lodges Inc at the rate of $12,000 per month. Total charges in 2004 were $108,000 as compared to $117,000 for 2003.

Robert Evans, secretary and chief financial officer of the Company provides accounting and administrative services to the Company through his private company, 312469 BC Ltd at the rate of $375 per day. Total charges in 2004 were $15,250 as compared to $12,000 for 2003.

Ron Netolitzky, a director of the Company, provides geological consulting services to the Company at the rate of $1,000 per month. Total charges in 2004 were $12,000 as compared to $12,000 for 2003.

Up until October 31, 2003 the Company hired BMTS Management Ltd to provide rent and secretarial services. Since that date the Company has sublet office space and secretarial services from Ascot Resources Ltd.

BMTS Management Inc is partly owned by Robert Evans and he is also a director of Ascot Resources Ltd. Payments to BMTS Management Inc and Ascot Resources Ltd were $32,500 in 2004 and $31,000 in 2003.

No stock options were granted to directors in 2004. Ron Netolitzky, a director of the Company exercised 200,000 options in 2004 realizing a benefit of $28,000.

John Kocela participated in the Company's flow through financing on the same terms as the other investors.

Apart from the above there were no transactions with related parties in fiscal 2004.

Fourth quarter

The significant events in the fourth quarter were a gain on sale of investments of $400,015 (30,020 Canico $317,080 and 81,233 Quest $82,935) and the commencement of the exploration program on the Metla property.

Proposed transactions

There are no proposed transactions at this time.

Changes in accounting policies including initial adoption

In 2004 the Company adopted the fair value method of accounting for all grants of stock options. This is explained in the notes to the financial statements. It had no impact on the statements in the 2004 year, as no new stock options were granted in the 2004 year.

Financial instruments and other instruments

The Company's financial instruments include cash and cash equivalents, receivables, investments and payables.

The Company's cash and cash equivalents of $313,975 consist of cash on hand of $313,975.

Receivables and payables of $63,255 and $111,475 respectively are normal course business items that are usually settled within thirty days.

The investments of $88,867 are the book value of the Company's investment in other junior resource companies. The book value is the original cost of the investment less any write-down to market where at the year-end the cost of the investment exceeded its market value. The market value of the Company's investments at July 31, 2004 was $481,513. Since the year-end the Company has sold its remaining investment in Quest Capital for gross proceeds of $157,480.