SOLOMON RESOURCES LIMITED
October 31, 2011

Form 51-102 F1: MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER OF FISCAL YEAR 2012

Introduction

The following management's discussion and analysis ("MDA") has been prepared as of January 25, 2012. It is an update of the annual MDA prepared as of November 25, 2011 and filed on SEDAR on November 28, 2011. It should be read in conjunction with the Company's unaudited, interim financial statements for the quarter ended October 31, 2011. The financial statements have been prepared in accordance with International Financial Reporting Standards and all numbers are reported in Canadian dollars.

This discussion may contain forward-looking statements that involve inherent risks and uncertainties. The reader is cautioned that actual results may differ materially from those anticipated in the forward-looking statements. The interim financial statements have not been audited.

Additional information relating to the Company can be found on SEDAR at www.sedar.com and on the Company website at www.solomonresources.ca.

Exploration Activities from November 26, 2011 to Present:

Complete historical details regarding the Company's exploration properties may be found in the November 25, 2011 MDA that accompanied the Annual Financial Statements filed on SEDAR on November 28, 2011.

As the Company's current projects are all in northern latitudes, exploration expenditure during the late fall and winter tends to be concentrated on the analysis of results; expenditures tend therefore to be lower during this time than at other times of the year. The following commentaries summarize developments, and the costs thereof, since the annual MDA.

Our focus in the 2011 field season was primarily upon the exploration and assessment of the Company's mineral tenures in the Yukon Territory.

Ten Mile Creek – Yukon Territory, Canada

Expenditure of $124,902 was incurred in respect to the property during the quarter ended October 31, 2011. This was split approximately 31% on soil sampling, 19% on an airborne survey and mapping, and 50% on transport, camp, field supplies and personnel costs.

Solomon field crews expanded the boundaries of the soil geochemical survey at the Ten Mile Creek Gold Project and we are now analyzing the airborne geophysical survey completed on that property in support of a planned combined diamond drilling and reverse circulation drilling program on that property in 2012.

The Company's contractual cumulative work commitment to the end of 2011 was $1,000,000. Actual eligible work done to December 31, 2011 was $1,247,723. The contractual cumulative work commitment to the end of 2012 is $2,500,000.

South West Yukon - Pacer – 236 Claims

The Company spent $17,940 on these claims in the quarter ended October 31, 2011, on late season personnel, camp costs, field work and mapping. The Pacer Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized $90,780 at the date of this MDA.

South West Yukon – Outpost – 71 Claims

The Company spent $19,147 on these claims in the quarter ended October 31, 2011, on late season personnel, camp costs, field work and mapping. The Outpost Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized $47,076 at the date of this MDA.

South West Yukon – Rosie – 217 Claims

The Company spent $19,598 on these claims in the quarter ended October 31, 2011, on late season personnel, camp costs, field work and mapping. The Rosie Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized $125,553 at the date of this MDA.

South West Yukon – Jenn – 64 Claims

The Company spent $350 on these claims in the quarter ended October 31, 2011, on mapping. The Jenn Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized $19,118 at the date of this MDA.

South West Yukon – Seamus – 110 Claims

The Company spent $350 on these claims in the quarter ended October 31, 2011, on mapping. The Seamus Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized $27,280 at the date of this MDA.

South West Yukon – Tyke - 96 Claims

The Company spent $350 on these claims in the quarter ended October 31, 2011, on mapping. The Tyke Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized $18,266 at the date of this MDA.

South West Yukon – Nis – 66 Claims

The Company spent $350 on these claims in the quarter ended October 31, 2011, on mapping. The Nis Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized $15,860 at the date of this MDA.

South West Yukon – Sek – 84 Claims

The Company spent $350 on these claims in the quarter ended October 31, 2011, on mapping. The Sek Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized $33,673 at the date of this MDA.

The company is actively seeking exploration targets in similar geological terrain to the above claims: $8,389 was spent in the quarter on property investigation costs.

Sleitat Tin Project – Alaska, United States

There is nothing further to report on this property since the publication of the annual MDA.

No expenditure was incurred on this property during the quarter.

Uranium Exploration Projects - Mongolia

There is nothing further to report on the Company's investment in Mongolia since the annual MDA. The Company does not plan any further investment in Mongolia but has kept the office in Mongolia operational on a care and maintenance basis: $7,591 was spent on maintenance costs in the quarter.

Other exploration activities planned for 2012

Solomon Resources Limited is an exploration project generator: the Company will focus its resources on viable exploration targets in politically stable jurisdictions where corporate management and geological consultants have relevant experience and expertise.

To build shareholder value, the Company will continue to acquire by staking or purchase 100% undiluted interest in highly prospective mineral tenures with the objective of adding value through grassroots exploration and target refinement in support of seeking option or joint venture partners through to production.

The project generator model is particularly suited to the Company's ongoing interest in the Yukon Territory where we have a wealth of intellectual capital and experience. The Company will direct its efforts in the 2012 field season on our new gold exploration projects in the South West Yukon. Plans for the 2012 field season include geological, geochemical and geophysical surveys of the Pacer, Outpost, Rosie, Sek, Nis, Jenn, Seamus and Tyke mineral claims staked by the Company in the Kluane and Ruby Ranges of the Southwest Yukon as well as a diamond drill program at the Ten Mile Creek Gold Property.

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

Financial information

Results of operations

		Three months ended October 31	
		2011	2010
Comprehensive loss for the period	$	77,678	119,620
General and administrative expenses	$	106,482	122,056
Cash spent on mineral property interests	$	178,073	476,046
Write offs of expenditure on mineral property interests	$	-	4,097
Recovery of expenditure previously written off on mineral property interests	$	27,868	-
Comprehensive loss per share - basic and diluted	$	(0.00)	(0.01)

The following tables explain 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, its ability to raise fresh capital when necessary, and the company's on-going exploration programs.

General and administrative expenses				
		FY2012 Q1	**FY2011 Q1**	**Reason for change**
Management fees	$	30,618	48,687	1
Travel, promotion and shareholder costs	$	10,649	38,505	2
Professional fees	$	21,038	7,010	3
Property investigation	$	8,304	-	4
Office and miscellaneous	$	10,833	13,502	5
Rent	$	9,447	5,118	6
Property maintenance	$	7,031	-	7
Transfer agent fees	$	983	2,920	8
Amortization	$	7,580	6,314	9
Total general and administrative expenses	$	106,482	122,056	

Commentary

1. Delays with results from assays meant a lower demand on the CEO's time. A reorganisation of the accounting function meant a lower demand on the CFO's time. The fees in FY2011 Q1 included a contractual payment to the former chairman, which terminated in June 2011.
2. In FY2011 Q1 the Company was using the services of an IR firm at a cost of $7,500 per month. That contract was not renewed and the IR expense, and related travel, was not incurred in FY2012 Q1.
3. The comparative figure for FY2011 Q1 was an anomaly related to the timing of audit fees. FY2012 Q1 is a more normal level for this expense item.
4. This type of expense was not incurred in FY2011 Q1.

5. No material change.
6. The Company moved to more suitable offices in Vernon BC (from Armstrong BC) in February 2011. The rent increased by a significant percentage, but remains modest when compared to rent that might be payable in a large city office.
7. This type of expense was previously capitalised to the property in question, and written off in the period.
8. The decrease in FY2012 Q1 is a reflection of lower invoicing in the quarter by the share transfer secretaries.
9. Higher amortization is directly attributable to a greater stock of capital equipment at July 31, 2011 and some purchases in FY2012 Q1.

Cash spent on mineral property interests

Cash spent on mineral property interests declined from $476,046 in FY2011 Q1 to $178,073 in FY2012 Q1 primarily due to a different approach to the exploration program in the period under review. Whereas in FY2011 Q1 there had been a drill program to test drill target identified by a previous owner of the Ten Mile Creek property, in FY2012 Q1 the Company chose to expand the soil sampling test progams and run an airborne survey instead. Both incurred much lower costs than the drill program in the comparative quarter.

Other items

		FY2012 Q1	FY2011 Q1	Reason for change
Oil and gas royalties	$	673	5,263	1
Interest received	$	5	917	2
Write off of expenditures on mineral properties	$	-	(4,097)	3
Recovery of expenditures on mineral properties	$	27,868	-	4
Gain / (loss) on exchange	$	259	353	
	$	28,804	2,436	

Commentary

1. The Company has no control over receipts of royalties from its small oil and gas interests. Receipts have been declining and the Company expects that this trend will continue.
2. The Company had significantly lower cash balances than in the comparative quarter and hence lower interest receipts.
3. No mineral property interests were written off in the quarter. See also note 7 under commentary on General and Administrative Expenses above.
4. The Company received a tax credit during the quarter on a property that had previously been written off. No such recoveries were received in the comparative quarter.

Summary of quarterly results for the last eight quarters

Fiscal 2012		1st quarter
Revenues	$	678
Comprehensive loss	$	(77,678)
Comprehensive loss per share	$	(0.00)

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)	(138,925)	32,459
Comprehensive income (loss) per share *	$	(0.01)	(0.05)	(0.01)	0.01

Fiscal 2010			2nd quarter**	3rd quarter	4th quarter
Revenues	$		3,496	3,938	8,959
Comprehensive income (loss) **	$		(298,401)	(151,498)	(1,909,066)
Comprehensive income (loss) per share **	$		(0.03)	(0.01)	(0.18)

* The comprehensive loss and the comprehensive loss per share in the 2nd quarter of fiscal 2011 (ended October 31, 2010) has been restated to account for an accounting policy change arising from the transition to International Financial Reporting.Standards ("IFRS").
** The comprehensive loss and the comprehensive loss per share in the 2nd quarter of fiscal 2010 (ended October 31, 2009) has NOT been restated to account for an accounting policy change arising from the transition to International Financial Reporting.Standards as the period precedes the transition to IFRS.
See below for details of changes to accounting policies and the transition to International Financial Reporting Standards.

Notes:
1) Revenue consists of gas royalties.
2) There were no discontinued operations or extraordinary items in the periods under review.

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

Liquidity and capital resources

Certain environmental bonds are classified as current assets as the relevant properties have either been sold or abandoned and in each case the properties have been inspected by the relevant authorities and the Company is awaiting repayment. Environmental bonds connected with properties on which the Company is continuing to work, or where the properties have not been inspected by the relevant authorities, are classified as non-current assets.

During FY2012 Q1 the Company did not raise any new capital. During FY2011 Q1 the Company raised $1,376,526 in net new capital and issued a total of 6,498,110 new shares of which 932,620 were as a result of share purchase warrants being exercised.

At October 31, 2011 the Company had net working capital of ($61,171) compared to $190,838 on July 31, 2010 and $1,238,724 on October 31, 2010. The comparative figure for October 31, 2010 has been restated to take account of an accounting policy change arising from the transition to IFRS. The change relates to the treatment of the tax effect of flow through funds. Prior to the change the working capital at October 31, 2010 was stated as $1,322,692.

Subsequent to October 31, 2011 the Company has raised a net $150,100 in new share capital to restore its working capital to a positive number.

As of the date of this discussion the following table presents the Company's outstanding share data:

		Number of shares
At January 25, 2012	In issue	26,669,972
Dilution:	Options	2,292,000
	Warrants	15,197,233
At January 25, 2012	**Fully diluted**	**44,159,205**

Share options

At January 25, 2012 the following options were outstanding:

Expiry Date	Exercise Price	Number of shares
April 5, 2012	$ 3.600	32,000
January 8, 2013	$ 3.600	20,000
October 2, 2013	$ 2.500	55,000
December 1, 2014	$ 0.265	520,000
February 3, 2015	$ 0.350	0
February 3, 2015	$ 0.500	0
December 16, 2016	$ 0.100	705,000
Total		**2,292,000**

Share purchase warrants

At January 25, 2012 the following warrants were outstanding. Under certain conditions the expiry date may be accelerated.

Expiry Date	Exercise Price	Number of Warrants
April 14, 2012	$ 0.30	496,200
April 23, 2012	$ 0.30	2,306,568
July 23, 2012	$ 0.30	9,415,732
December 23, 2012	$ 0.15	216,000
June 08, 2013	$ 0.30	918,733
November 30, 2013	$ 0.10	1,844,000
Total		**15,197,233**
Contingent warrants issuable:		**729,688**

The Company's overhead expenditures for the next twelve months, and the exploration programs it has planned, will be dependent on the Company having sufficient working capital to cover such expenditures. This will require that the Company raises significant new share capital in the coming months.

Off balance-sheet arrangements

There are currently no material off balance sheet arrangements and no new information to report since the annual management's discussion and analysis.

Transactions with related parties

Randy Rogers, a director and the Chief Executive Officer, provided management services to the Company through his private company, Longford Exploration Services Ltd., at the rate of $750 per day. Total charges in the quarter were $23,250 of which $13,575 was capitalized to exploration projects, being directly attributable to such projects.

Paul Maarschalk, a director, the Secretary and the Chief Financial Officer, provided accounting and administrative services to the Company at the rate of $680 per day. Total charges in the quarter were $16,532.

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

Material transactions subsequent to October 31, 2011

Subsequent to October 31, 2011 the Company has raised a net $150,100 by way of two new share issues:

a) $135,000 by way of a private placement of units at $0.075 each (each unit comprising one common share and one share purchase warrant to acquire one common share at $0.10 before November 30, 2013) and
b) $20,000 by way of a private placement of units at $0.10 each (each unit comprising one common share with flow through attributes and one share purchase warrant to acquire one common share without flow through attributes at $0.15 before December 21, 2012).

Finders' fees amounted to $4,900 paid in cash and the issue of (a) finder warrants to purchase 44,000 common shares at $0.10 before November 30, 2013 and (b) finder warrants to purchase 16,000 common shares at $0.10 before December 21, 2012.

Financial instruments and other instruments

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

The Company's cash of $29,163 at October 31, 2011 consists of Canadian dollar, United States dollar and Australian dollar denominated checking accounts.

Receivables at October 31, 2011 include prepaid expenses, deposits and GST/HST recoverable. Payables at October 31, 2011 include $106,328 payable to related parties and $43,093 in respect to mineral properties. Total receivables and payables of $30,929 and $153,354 respectively are normal course business items that are normally settled within thirty days; the Company has an informal agreement however with its CEO and CFO to defer payment of their fees until the working capital situation allows.

Reclamation bonds and deposits totaling $12,121 represent cash payments paid in trust to regulatory authorities in British Columbia and Australia in respect to properties in which the Company has an historical interest. Subject to due process by the authorities and adequate clean up by the Company at the end of a project the bonds are recoverable.

Change to International Financial Reporting Standards ("IFRS")

The accompanying condensed financial statements are the first to be prepared by the Company in accordance with IAS 34 using policies consistent with IFRS. Previously the Company prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP").

In terms of the requirements of IFRS 1, First Time Adoption of IFRS, the effect of the changes arising from the adoption of IFRS has been applied retroactively to August 1, 2010, the "transition date". As required by IFRS 1 estimates used in the retroactive application of the new policies are consistent with those used under CGAAP.

Significant accounting policies are detailed in Note 4 in the notes to the condensed financial statements for the three months ended October 31, 2011. Attention is drawn to the change in accounting policy, as a consequence of the adoption of IFRS, in respect to accounting for flow through shares (note 4 (k)), which for ease of reference is repeated here:

Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them, by agreement, for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The Company treats the premium, if any, of the issue price over the fair value of the shares as income arising from the sale of the tax deductions. The fair value of the shares is determined as the closing market price of the shares on the date the financing is closed. On the date of the issue of the shares the fair value of the shares issued is credited to share capital and the premium, if any, is credited to liabilities. On the date the Company fulfills the flow-through share financing agreements and the renunciation of expenditures is filed with taxation authorities the premium is recognized as income. The tax impact to the Company of the renouncement is recorded through the recognition of a deferred tax liability; however, where available, a portion of the deferred income tax assets that were not previously recognized are recognized as a recovery of deferred income taxes in order to absorb the deferred income tax liability created by the renouncement.

The standards and interpretations within IFRS are subject to change and accordingly the accounting policies for the annual period that are relevant to the condensed financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ending July 31, 2012.

The effects of the changes to the Company's financial position arising from the adoption of IFRS are demonstrated in Note 18 to the financial statements.

All of the changes to the Company's financial position arise from the change in the accounting policy for the treatment of the tax effect of the flow through share program.

In summary, the cumulative effect of the change on the Company's previously reported equity is as follows:

At the "transition date", August 1, 2010: a decrease in total equity of $83,968.
At October 31, 2010: a decrease in total equity of $83,968.
At July 31, 2011: no effect on total equity, but a transfer of $254,753 from accumulated deficit to share capital (i.e. an increase in share capital of this amount).