

SOLOMON RESOURCES LIMITED
January 31, 2012

Form 51-102 F1: MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER OF FISCAL YEAR 2012 (three months ending January 31, 2012)

Introduction

The following management's discussion and analysis ("MDA") has been prepared as of March 30, 2012. It is an update of the annual MDA prepared as of November 25, 2011 and filed on SEDAR on November 28, 2011 and the interim MDA prepared as of January 25, 2012 and filed on SEDAR on January 30, 2012. It should be read in conjunction with the Company's unaudited, interim financial statements for the quarter ended January 31, 2012. The condensed consolidated 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 condensed consolidated 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 January 25, 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 and in the January 25, 2012 MDA that accompanied the interim Condensed Consolidated Financial Statements for the period ended October 31, 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 \$30,426 was incurred in respect to the property during the quarter ended January 31, 2012. This was split approximately 23% on soil sampling, 30% on mapping, 29% on personnel costs and 17% on transport and camp tear down.

Solomon's 2011 exploration program included 2059 soil geochemical samples and 296 line kilometers of airborne geophysical survey directed at identifying possible extensions to the Jval Vein System. The geochemical anomalies on the property are far more extensive than originally believed and now extend over an area 2700 meters by 3880 meters in size with values up to 1436 parts per billion (ppb) gold flanked by multiple strong north-northwest trending linear magnetic elements which are in places cut and displaced by an east-west cross-fabric, suggesting the presence of fault offset and dilation zones that may host bonanza grade mineralization.

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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 \$2,654 on these claims in the quarter ended January 31, 2012, analyzing and mapping the results of the summer program of work. The Pacer Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized \$91,980 at the date of this MDA.

South West Yukon – Outpost – 71 Claims

The Company spent \$2,578 on these claims in the quarter ended January 31, 2012, analyzing and mapping the results of the summer program of work. The Outpost Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized \$48,216 at the date of this MDA.

South West Yukon – Rosie – 217 Claims

The Company spent \$12,983 on these claims in the quarter ended January 31, 2012, analyzing and mapping the results of the summer program of work. The Rosie Claims are 100% owned by the Company; inclusive of staking costs the Company has capitalized \$126,603 at the date of this MDA.

South West Yukon – Jenn – 64 Claims

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 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 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 \$225 on these claims in the quarter ended January 31, 2012, analyzing and mapping the results of the summer program of work. 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 January 31, 2012, analyzing and mapping the results of the summer program of work. 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: \$1,136 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: \$3,510 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. 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 in the Kluane and Ruby Ranges as well as a combined reverse-circulation and 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.

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Financial information

Results of operations

		Three months ended	
		January 31	
		2012	2011
Comprehensive loss for the period	\$	155,653	1,055,684
General and administrative expenses	\$	164,074	334,319
Cash spent on mineral property interests	\$	54,375	57,366
Write offs of expenditure on mineral property interests	\$	-	597,795
Comprehensive loss per share - basic and diluted	\$	(0.01)	(0.05)

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 Q2	FY2011 Q2	Reason for change
Management fees	\$	33,516	82,353	1
Share based payments	\$	45,543	109,793	2
Travel, promotion and shareholder costs	\$	7,876	60,365	3
Professional fees	\$	31,082	51,450	4
Property investigation	\$	1,136	-	5
Office and miscellaneous	\$	12,587	11,719	6
Rent	\$	9,000	4,671	7
Property maintenance	\$	3,510	-	8
Transfer agent fees	\$	6,981	6,037	9
Amortization	\$	12,843	7,932	10
Total general and administrative expenses	\$	164,074	334,319	

Commentary

1. As the company began to face tight liquidity every effort was made to reduce expenditures in all areas, including a reduction in time spent by officers on company business. The fees in FY2011 Q2 also included a contractual payment to the former chairman, which terminated in June 2011.
2. Share based payments, formerly referred to as stock based compensation, are valued using the Black Scholes option pricing model. The value is influenced by such matters as the exercise price of options compared to the stock price on the date of the award, benchmark interest rates and historical volatility of the Company's stock price. Changes in these figures, coupled with a lower number of options awarded, led to the reduction in the charge in Q2 of FY2012 when compared to Q2 of FY2011.
3. In FY2011 Q2 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 Q2.

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4. The comparative figure reflects an anomaly related to the timing of audit fees. The year to date figures, as shown on the income statement, are broadly comparable.
5. This type of expense was not incurred in FY2011 Q2.
6. No material change.
7. 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.
8. This type of expense was previously capitalised to the property in question, and written off in the period.
9. No material change.
10. Higher amortization is directly attributable to a greater stock of capital equipment at July 31, 2011.

Cash spent on mineral property interests

	FY2012 Q2	FY2011 Q2	Reason for change
	\$ 54,375	57,366	1

Commentary

1. Cash spent on mineral property interests is normally low in the second quarter, given that all the Company's properties are located in the Yukon where winter operations are not financially viable. Spending is normally limited to analytical work, either in contract laboratories or in the Company's head office.

Significant other items

	FY2012 Q2	FY2011 Q2	Reason for change
Oil and gas royalties	\$ 580	1,163	1
Write off of expenditures on mineral properties	\$ -	(597,795)	2
Premium on issue of flow through shares	\$ 8,000	-	3
	\$ 8,580	(596,632)	

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. No mineral property interests were written off in FY2012 Q2. In FY2011 Q2 the Company wrote off its interest in the Cry Lake property in British Columbia.
3. The premium arises under policies adopted following the transition to International Financial Reporting Standards. The premium represents the excess of the issue price of flow through shares issued in FY2012 Q2 over the market price of the Company's shares at the time the placement closed. The Company did not issue any flow through shares in FY2011 Q2.

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Summary of quarterly results for the last eight quarters

Fiscal 2012	1st quarter	2nd quarter
Revenues	\$ 673	580
Comprehensive loss	\$ (77,678)	(155,653)
Comprehensive loss per share	\$ (0.00)	(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)	(138,925)	32,459
Comprehensive income (loss) per share *	\$ (0.01)	(0.05)	(0.01)	0.01

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

* 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").

** The comprehensive loss and the comprehensive loss per share in the 3rd and 4th quarters of fiscal 2010 have 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.

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

Environmental bonds are classified as current assets if the relevant properties have been sold or abandoned, 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 the three months ended January 31, 2012, as a consequence of two private placements, 2,000,000 new shares were issued for gross cash proceeds of \$155,000. \$8,000 was credited to income as the premium at which flow through shares were issued. Share issuance costs of \$22,679 were charged to share capital. 1,800,000 share purchase warrants, valid for 2 years and exercisable at \$0.10 per share, and 200,000 share purchase warrants, valid for one year and exercisable at \$0.15 per share were issued to placees as a consequence of the placements. 60,000 finders' warrants, exercisable at \$0.10 per share, were issued to brokers who helped to place the new shares. 44,000 finder warrants are valid for 2 years and the remaining 16,000 finder warrants are valid for one year.

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On December 16, 2011 705,000 share options were awarded to directors, officers and employees in terms of the Company's share option plan to award share options once per year on the day of the Company's annual meeting. The options are valid for five years, vest immediately and are exercisable at \$0.10 per share, being the higher of the closing price on the day prior to the annual meeting and the TSX-V's minimum option exercise price of \$0.10 per share. The share options were calculated to have a value of \$0.0646 per option, using the Black Scholes pricing model, with volatility of 163.83%, a risk free rate of 1.25% and a market price of \$0.07 per share. The total calculated value of the award was \$45,544 and was charged to income and credited to contributed surplus.

At January 31, 2012 the Company had negative net working capital of \$82,060 compared to positive net working capital of \$190,838 at July 31, 2011 and negative \$61,171 on October 31, 2011. The deterioration in the six months to January 31, 2012 is due principally to a reduction in cash, receivables and prepaid expenses, and an increase in current liabilities. Net new cash raised by way of two private placements was \$198,239 short of the Company's spending on its mineral property interests, new equipment and other operating activities in the six months to January 31, 2012.

As of January 31, 2012 and as of the date of this discussion the following table presents the Company's outstanding share data:

		Number of shares
At	January 31, 2012	In issue
		26,669,972
Dilution:		Options
		2,292,000
		Warrants
		15,197,233
January 31, 2012 Fully diluted		44,159,205

Share options

Options outstanding:		January 31, 2012	
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	
December 17, 2015	\$ 0.165	760,000	
July 1, 2016	\$ 0.170	200,000	
December 16, 2016	\$ 0.100	705,000	
Total		2,292,000	

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Share purchase warrants

Warrants outstanding: January 31, 2012

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	\$ 0.10	16,000
December 23, 2012	\$ 0.15	200,000
June 08, 2013	\$ 0.30	918,733
November 30, 2013	\$ 0.10	1,844,000
Total		15,197,233

Agent options

Agent options have the right to purchase units, with each unit comprising one share and one warrant.

Expiry Date	Exercise Price	Number of options
April 14, 2012	\$ 0.30	17,200
April 23, 2012	\$ 0.30	160,857
July 23, 2012	\$ 0.30	156,464
July 23, 2012	\$ 0.30	395,167
		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 \$16,125 of which \$10,950 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 \$19,911.

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The Company's directors, being Messrs. Maarschalk, Netolitzky, Rogers and Vaughan were each awarded 150,000 share purchase options (see note on Liquidity and capital resources) with a calculated value of \$9,690 per award.

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

Material transactions subsequent to January 31, 2012

There have been no material transactions subsequent to January 31, 2012..

Financial instruments and other instruments

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

The Company's cash of \$64,940 at January 31, 2012 consists of primarily of Canadian dollar denominated checking accounts, and minor United States dollar and Australian dollar denominated checking accounts.

Receivables at January 31, 2012 include prepaid expenses, deposits and GST/HST recoverable. Payables at January 31, 2012 include \$108,734 payable to related parties and \$30,165 in respect to mineral properties. Total receivables and payables of \$31,626 and \$204,832 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 \$12,124 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 interim condensed consolidated financial statements are the second 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"). Significant accounting policies are detailed in Note 4 in the notes to the interim condensed consolidated financial statements for the three months ended October 31, 2011.

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 consolidated 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 condensed consolidated financial statements for the three months ended October 31, 2011.