



**MANAGEMENT'S DISCUSSION & ANALYSIS**

**JUNE 30, 2012**

**Solid Resources Ltd.**  
**Management's Discussion & Analysis**  
**Six Months Ended June 30, 2012**

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### **Introduction and Background**

The following Management's Discussion & Analysis is dated August 27, 2012. This is a discussion and assessment of the results to date and future prospects of Solid Resources Ltd. and its subsidiaries ("Solid" or the "Company"). The information provided herein should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the six months ended June 30, 2012 and audited financial statements for the year ended December 31, 2011 and related notes attached thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. See "Forward-Looking Information and Statements" herein.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

Solid is a Canadian company focused on mineral resource exploration in various countries including Spain, Mexico and Peru. Properties under exploration contain precious, rare, and base metals, including Silver, Gold, Copper, Lead, Zinc, Lithium, Tantalum, Cesium, Rubidium and Zinc. The Company's shares trade on the TSX Venture Exchange in Canada and on the Frankfurt Stock Exchange.

### **Forward-Looking Information and Statements**

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements relating to: the future opportunities for the Company; the business strategy of the Company; and the competitive advantage of the Company.

In addition, forward looking statements regarding the Company are based on certain key expectations and assumptions of the Company concerning anticipated financial performance, business prospects, strategies, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of services, the ability to obtain financing on acceptable terms, the actual results of exploration projects being equivalent to or better than estimated results in technical reports or prior exploration results, and future costs and expenses being based on historical costs and expenses, adjusted for inflation, all of which are subject to change based on market conditions and potential timing delays. Although management of the Company consider these assumptions to be reasonable based on information currently available to them, these assumptions may prove to be incorrect.

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By their very nature, forward looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward looking statements will not be achieved. Undue reliance should not be placed on forward looking statements, as a number of important factors could cause the actual results to differ materially from the Company's beliefs, plans, objectives and expectations, including, among other things: general economic and market factors, including business competition, changes in government regulations or in tax laws; the early stage development of the Company and its projects; general political and social uncertainties; commodity prices; the actual results of current exploration and development or operational activities; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the mining industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labour or loss of key individuals. These factors should not be considered exhaustive. Many of these risk factors are beyond the Company's control and each contributes to the possibility that the forward-looking statements will not occur or that actual results, performance or achievements may differ materially from those expressed or implied by such statements. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these risks, uncertainties and factors are interdependent and management's future course of action depends upon the Company's assessment of all information available at that time.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Company does not undertake and is not obligated to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

### **Overall Performance**

Solid Resources Ltd. is incorporated under the laws of the Province of Alberta, Canada. Its shares are listed for trading on the TSX Venture Exchange and on the Frankfurt Stock Exchange. The Company is involved in the exploration and development of mineral resource properties and does not currently have a recurring revenue stream. In addition, the Company's goals are to prospect for mineral resource properties that exhibit the potential for development into profit producing mines, obtain the rights to such properties, conduct sampling, drilling, and assaying programs to establish mineral resources and reserves, and generate revenue for the benefit of its shareholders.

At June 30, 2012, there were 108,542,715 common shares issued and outstanding. There have been issuances of new securities during the past year in order to finance working capital and exploration work programs on the Company's properties. The global outlook is generally positive for mineral resource companies with good properties because of the high level of continuing demand for metals. With properties in various countries and consisting of various metals, there is a possibility that Solid will generate revenue from operations in the future. Management believes in diversification in terms of both mineral deposit types and geographical location.

### ***Exploration and Evaluation Assets***

Management has worked diligently to identify mineral resource properties that indicated potential for commercial ore bodies. Exploration programs and technical studies aimed at determining the existence, grade, and economic feasibility of mineral deposits are being carried out. Mining activities are generally required to comply with varying levels of regulatory and environmental requirements that vary by jurisdiction. Sufficient capital must be raised to carry out the programs. The accompanying discussions below address the status of each project and management's current beliefs with respect to each project.

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*The Doade-Presqueira Property, Spain*

The Company has received a technical report (NI 43-101) for the Alberta-1 (Doade-Presqueiras) property, prepared by Jose M Canto Romera Ph.D., P. Geol dated Dec. 8, 2011 which was filed on SEDAR at [www.sedar.com](http://www.sedar.com) on Dec. 15, 2011.

The Company has 100% interest in this concession which is located in Northwestern Spain and is 4,902 hectares (12,108 acres) in size. This property is under exploration for Lithium, Tantalum, Tin, Rubidium, and Cesium. Two drilling programs consisting of a total of 17 holes drilled, sampled, and assayed have been completed to date. Property investigation costs are bonus fees paid to the geologist that initially identified the project. Such fees became payable once a certain stage of advancement had been reached

Mineralization within the pegmatites consists of significant quantities of Lithium, Tantalum, Tin, Niobium, Rubidium, and Cesium. The surrounding schist also contains significant quantities of Lithium, Rubidium, and Cesium. The mineralized pegmatites are located in a northerly trending belt approximately 0.6 km wide and 15 km in length.

The reports its results on the property on regular basis or as assays results come available and are press released and filed on SEDAR.

*Peru Gold & Copper Property*

The Company entered into a binding option agreement with an arm's length third party (the "Optionor") pursuant to which it acquired the option to purchase a metallic mining license, covering an area of 1,000 hectares, located in Northwest Peru. Under the terms of the option agreement, The Company has the right to purchase the license by paying the Optionor a total of US\$500,000. The first cash payment of US\$4,000 has already been paid to the Optionor.

*Bear Property, Northwest Territories, Canada*

During the fiscal year 2009, the Company entered into a letter of intent (the "Letter of Intent") dated April 30, 2010 with Golden Lion Resources Inc. now known as Silver Bear Mines Inc. ("Silver Bear") with respect to the proposed transfer of all of the Company's 49% interest in the Bear mineral property located in the Northwest Territories (the "Bear Property") to Silver Bear. The purchase price for the 49% interest in the Bear Property is \$3,000,000, and was payable: (i) by the assumption of debt (the "Assumed Debt") owing by the Company to certain lenders in the aggregate amount of \$1,930,172; and (ii) by the issuance and delivery of common shares in the capital of Silver Bear ("Silver Bear Shares") having an aggregate value of \$1,055,808, which Silver Bear Shares will be distributed to the shareholders of the Company in a tax effective manner. The actual number (not to exceed 2,000,000) and deemed price of the Silver Bear Shares shall be determined at or before the time of execution of the definitive agreement(s) for the proposed transaction.

Concurrently with the execution of the Letter of Intent, the Company entered into a debt assumption agreement, pursuant to which Silver Bear assumed the Assumed Debt effective as of April 30, 2010 and the lenders released the Company from any further obligations under the Assumed Debt.

In 2010, the Company recorded a sale or disposal of asset of \$6,381,971 for a net book value of \$nil.

In 2011, the Company distributed 1,250,000 shares of Silver Bear Mines Inc. valued at \$1,055,808 to its shareholders. The amount has been included in distribution to shareholders.

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**Select Annual Financial Information**

	December 31, 2011	December 31, 2010	December 31, 2009 <sup>(1)</sup>
Revenues from continuing operations	\$ -	\$ -	\$ -
Loss and comprehensive loss	(1,233,245)	(5,996,267)	(1,577,559)
Loss per share - basic and diluted	(0.01)	(0.10)	(0.06)
Exploration and evaluation assets	3,353,605	2,036,550	8,198,478
Total assets	3,645,984	4,108,469	8,753,939
Notes payable	-	-	1,665,739
Total liabilities	159,395	68,433	2,257,414
Total cash dividend paid	-	-	-
Working capital (deficiency)	132,984	945,118	(1,708,899)

<sup>(1)</sup>Information in Canadian dollars and in accordance with Canadian GAAP and has not been restated in accordance with IFRS.

**Summary of Quarterly Results**

The following financial data is selected information for the Company for the eight most recently completed financial quarters:

	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010
Total revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss for the period	(220,883)	(189,364)	(323,695)	(287,300)	(318,916)	(303,334)	(4,358,033)	(517,227)
Loss per share (basic & diluted)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.07)	(0.01)

Fluctuations in the Company's expenditures reflect the variations in the timing of exploration activities and general corporate operations, and the timing of share-based payments. For the quarters of the year ended December 31, 2011, the net loss fluctuate due to one-time expenses such as loss on disposal of Bear property described earlier or impairment of exploration and evaluation assets.

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**Results of Operations**

This review of the results of operations should be read in conjunction with the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2012:

*Financial results*

The Company had no operating revenue for the six months ended June 30, 2012 and 2011. For the six months ended June 30, 2012, the Company incurred a net loss of \$410,247 (\$nil loss per share) compared to a net loss of \$621,001 (\$0.01 loss per share) for the six months ended June 30, 2011. The loss is comprised of general and administrative expenses of \$415,094 (2011 - \$621,001).

During the six months ended June 30, 2012, management fees of \$98,000 (2011 - \$90,000), consulting fees of \$53,155 (2011 - \$45,267) and office and general costs of \$26,706 (2011 - \$28,941) remained consistent with the prior year. Investor relations expenditures \$12,673 (2011 - \$221,478), professional fees of \$11,095 (2011 - \$44,890), and travel cost of \$14,746 (2011 - \$54,014) were lower due decreased corporate activity during the period as compared to the same period in 2011. Transfer agent, listing and filing fees of \$33,294 (2011 - \$25,272) increased as the Company incurred fees for the private placement and for costs relating to Annual General and Shareholders meeting.

Share-based payments of \$155,122 (2011 - \$109,923) increased as the number of stock options granted during the current period was greater than those granted or vested during the same period in 2011.

Depreciation of property, plant and equipment was \$nil (2011 - \$256) as there were no additions during the six months ended June 30, 2012 and the Company has written off the property, plant and equipment acquired in prior years.

Foreign exchange loss was \$5,023 for the six months ended June 30, 2012 from a foreign exchange loss of \$1,249 for the six months ended June 30, 2011. The exchange rate loss is due to timing differences (difference in the amount recorded as compared to the amount paid) in the foreign exchange rate between the Canadian dollar and the Euro).

**Exploration and Evaluation Assets**

For the six months ended June 30, 2012, the Doade-Presqueira project's total expenditures were \$191,693 (2011 - \$999,538), comprised of geological fees and expenses were \$134,925 (2011 - \$154,606), mining rights and taxes were \$25,100 (2011 - \$45,216), and drilling, sampling and assay were \$31,668 (2011 - \$799,716).

For the six months ended June 30, 2012, the Peru Gold and Copper project's expenditures comprised of geological fees and expenses were \$23,049 (2011 - \$93,368).

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**Liquidity and Capital Resources**

As of June 30, 2012, the working capital was \$908,834 as compared to working capital of \$132,984 as at December 31, 2011.

The Company's cash position increased to \$936,047 as of June 30, 2012 as compared to a cash balance of \$264,735 as at December 31, 2011 as the company used \$364,950 (2011 - \$422,971) to fund operations.

Net cash used in investing activities for the six months ended June 30, 2012 was \$204,432 (2011 - \$1,092,906) which primarily relates to expenditure on exploration and evaluation assets.

Net cash from financing activities for the six months ended June 30, 2012 was \$1,245,717 (2011 - \$669,900) was primarily the result of issuance of shares on private placement of \$1,257,920 (2011 - \$669,900), net of share subscription advances of \$155,000 received in 2011 and share issuance costs of \$62,370 (2011 - \$nil) and cash of \$50,167 (2011 - \$nil) from the exercise of warrants.

As the Company is in an exploration phase and is not generating revenue as yet, it is expected that the working capital balance will follow a cycle of reduction and replenishment. Management currently follows a policy of raising only sufficient capital to carry out its near term plans. This policy is meant to minimize dilution of shareholders' positions by raising capital when the stock price is at higher levels.

Historically, the Company has been successful in raising working capital through private placements and loan money to fund its operations and exploration programs and will need to raise more working capital through private placements to continue this. With regard to the exploration of its Canadian property, the Company has been able to raise financing through the issue of common shares and sees this as a continuing source of financing.

**Transactions with Related Parties**

The Company entered into the following transactions with related parties:

***Key management personnel compensation***

	Six Months Ended	
	June 30, 2012	June 30, 2011
Short-term employee benefits - management	\$ 98,000	\$ 90,000
Short-term employee benefits - consulting	24,000	24,000
Share-based payments - officers	75,837	-
Share-based payments - directors	34,472	-
Total	\$ 232,309	\$ 114,000

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**Changes in Accounting Policies Including Initial Adoption**

***Future Accounting Pronouncements***

A number of new standards, amendments to standards and interpretations, described in the notes to the consolidated financial statements, are not yet effective as of the date of this report, and were not applied in preparing the audited financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

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**Financial Risk Management**

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is classified as Level 1.

As at June 30, 2012, the carrying values of cash, receivables and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

**Financial risks**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

*Credit risk*

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institution and for receivables by standard credit checks. At June 30, 2012, the Company's exposure to credit risk is minimal.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at June 30, 2012, the Company had a cash balance of \$936,047 (December 31, 2011 - \$264,735) to settle current liabilities of \$65,935 (December 31, 2011 - \$159,395).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding



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*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest risk

The Company has cash balances and interest-bearing loans payable. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of June 30, 2012, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

The Company does not have any balances denominated in a foreign currency and believes it has no significant foreign currency risk.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**Capital Commitments**

The Company had no commitments for property and equipment expenditures for 2012 and 2013. The Company expects that any property and equipment expenditures incurred, based on future needs, will be funded from working capital and/or from operating or capital leases.

**Off-Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet arrangements.

**Critical Accounting Estimates**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

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**Proposed Transactions**

As at the date of this MD&A there are no proposed transactions that the board of directors or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with and that have not been publicly disclosed.

**Outstanding Share Data**

*Authorized share capital*

Unlimited number of common shares without par value.

*Common shares*

At June 30, 2012 and August 27, 2012 (date of report), there were 108,542,715 issued and fully paid common shares (December 31, 2011 - 93,911,848).

*Private placement*

- i) On January 6, 2012, the Company closed a non-brokered private placement of 3,129,200 units at a price of \$0.10 per unit for gross proceeds of \$312,920. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one additional common share for a period of 24 months after the closing at a price of \$0.15 per common share, subject to earlier termination in the event that the closing price exceeds \$0.25 for 20 consecutive trading days. In connection with the offering, the Company paid finders' fees of \$9,520.
- ii) On May 10, 2012, the Company closed a non-brokered private placement of 11,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,100,000. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share at a price of \$0.15 at any time prior to the date that is twenty four months from the date of the issuance of the units, subject to earlier termination in the event that the closing price exceeds \$0.25 for 20 consecutive trading days. The securities issued in connection with the offering are subject to a four month hold period expiring on September 11, 2012.

In connection with this offering, the Company paid finders' fees of \$52,850 and 525,000 finder's warrants, with each finder's warrant entitling the holder to purchase one common share at an exercise price of \$0.15 per common share for a period of 24 months after the closing and are subject to the early termination clause as outlined in the previous paragraph.

*Stock options*

As at June 30, 2012 and August 27, 2012 (date of report), there were 9,950,000 stock options of the Company outstanding at weighted average price of \$0.15, of which 8,825,000 are exercisable at weighted average price of \$0.15.

On March 14, 2012, the Company granted an aggregate of 2,250,000 stock options to directors, officers and consultants of the Company. The options are at an exercise price of \$0.10 per share and valid for a period of five years from the date of the grant and vest 25% on grant and 25% quarterly thereafter.

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***Warrants***

As at June 30, 2012 and August 27, 2012 (date of report), there were 44,462,533 warrants outstanding at weighted average exercise price of \$0.13 and 30,333,333 warrants exercisable, at weighted average exercise price of \$0.12

On April 19, 2012, the Company extended the expiry date of 20,333,333 warrants that were previously set to expire on May 17, 2012 has been extended to Nov. 17, 2012. The warrants were issued as part of a non-brokered private placement completed by the Company in November, 2010, and are exercisable for common shares of the Company at a price of \$0.10 per share. All other terms and conditions of the warrants, including the exercise price, will remain the same.

***Finders' warrants***

As at June 30, 2012 and August 27, 2012 (date of report), there were 626,500 finders' warrants outstanding and 101,500 exercisable at weighted average exercise price of \$0.15.

**Additional Information**

The Company's publicly filed documents are available on SEDAR at [www.sedar.com](http://www.sedar.com) and more information is also available on Company's website at [www.solidresources.com](http://www.solidresources.com).