

# **SOLID RESOURCES LTD.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**DECEMBER 31, 2011**

**SOLID RESOURCES LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2011**

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**Introduction and Background**

The following Management's Discussion and Analysis is dated April 30, 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") and relates to the consolidated financial statements for the year ended December 31, 2011. This analysis should be read together with the audited financial statements and related notes attached thereto, for the year ended December 31, 2011. 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 Canada and Spain. 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

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Company consider these assumptions to be reasonable based on information currently available to them, these assumptions may prove to be incorrect.

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.**

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**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 December 31, 2011, there were 93,911,848 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.

**The Doade-Presqueira Property, Spain**

The Company has received a technical report regarding the Doade-Presqueira property prepared by John R. Goodwin dated March 16, 2010, which was filed on SEDAR at [www.sedar.com](http://www.sedar.com) on March 19, 2010.

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.

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

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.

The Board of Directors of the Company have unanimously approved the Letter of Intent and the proposed sale of the Company's 49% interest in the Bear Property. The completion of the proposed purchase transaction is subject to a number of conditions including, negotiation and execution of definitive agreements (which has been signed subsequent to the year-end) and receipt of all requisite regulatory approvals, including the TSX Venture Exchange.

As such, the Company recorded a sale or disposal of asset of \$6,381,971 for a net loss of \$3,395,991 for the year ended December 31, 2010.

On February 15, 2011, the Company received the requisite shareholder approval for the sale of the Bear Property at the annual general and special meeting held on December 13, 2010. The purchase price for the 49% interest in the Bear Property is \$3,000,000 and shall be payable: (i) by the assumption of debt (the "Assumed Debt") owing by the Corporation to certain lenders in the aggregate amount of \$1,930,172; and (ii) by the issuance and delivery of 1,250,000 common shares of in the capital of Silver Bear ("Silver Bear Shares") having an aggregate value of \$1,055,808.

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, during the three year term, by paying the Optionor a total of US\$500,000, to be paid in tranches over the course of the period ending on December 2012. The first cash payment of US\$4,000 has already been paid to the Optionor.

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**SELECTED ANNUAL FINANCIAL INFORMATION**

	2011	2010	2009 <sup>(1)</sup>
Revenues from continuing operations	\$ --	\$ --	\$ --
Net loss and comprehensive loss	(1,233,245)	(5,996,267)	(1,577,559)
Net 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:

	Dec 31, 2011	Sept 30, 2011	June 30, 2011	March 31, 2011	Dec 31, 2010	Sept 30, 2010	Jun 30, 2010	Mar 31, 2010
Total Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss for the period	(323,695)	(287,300)	(318,916)	(303,334)	(4,358,033)	(517,227)	(611,178)	(509,829)
Loss per Share (Basic & diluted)	(0.00)	(0.00)	(0.00)	(0.00)	(0.07)	(0.01)	(0.01)	(0.01)

The information for income or loss has been presented with the figures for share-based payments, other income, and income taxes segregated as these amounts cause the net income or loss to fluctuate materially in various quarters. The resulting figure can fluctuate from quarter to quarter as a result of temporary or one-time expenses such as loss on disposal of Bear property described earlier or impairment of exploration and evaluation assets.

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***Fourth Quarter***

Overall, the Company recorded a net loss of \$323,695 (\$nil per common share) for the three months ended December 31, 2011 as compared to a net loss of \$4,358,033 (\$0.07 per common share) for the three months ended December 31, 2010.

Operating expenses for the fourth quarter were \$363,577 in 2011 compared to the \$1,063,203 for the same period in 2010. The overall decrease is primarily due to share-based payments of \$40,933 (2010 - \$1,394,577) as the Company granted stock options during the year which had a lower fair value than those issued or vested during 2010.

**Results of Operations**

Overall, the Company recorded a net loss of \$1,233,245 (\$0.01 per common share) for the year ended December 31, 2011 as compared with a net loss of \$5,996,267 (\$0.10 per common share) for the same period in 2010. The decrease in net loss is attributed to the following:

General and administrative expenses decreased to \$945,040 for the year ended December 31, 2011 from \$1,034,037 for the year ended December 31, 2010, as the Company implemented various cost cutting measures in order to control and manage cost and to focus on the exploration and development of current projects; though, the Company also continues to have some expenditures relating to the due diligence and potential acquisitions of new mineral properties.

Share-based payments expense decreased to \$150,856 for the year ended December 31, 2011 from \$1,405,519 for the year ended December 31, 2010 as the Company granted stock options during the year which had a lower fair value than those issued or vested during 2010.

Depreciation of property, plant and equipment was \$nil (2010 - \$5,631) as there were no additions during the year ended December 31, 2011 and the Company has written off the property, plant and equipment acquired in prior years.

Interest on notes payable decreased to \$nil for the year ended December 31, 2011 from \$39,404 for the same year ended December 31, 2010 as the notes were assumed in the transfer of the Bear mineral property transaction in on April 30, 2010.

Foreign exchange loss was \$10,333 for the year ended December 31, 2011 from a loss of \$42,330 for the year ended December 31, 2010. 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).

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**Exploration and Evaluation Assets:**

Investment in mineral properties for the year ended December 31, 2011 was \$3,353,605 compared to \$2,036,550 at December 31, 2010. The net increase is attributable to the following:

For the **Doade-Presqueira** project, expenditures were \$1,275,175 for the year ending December 31, 2011 (2010 - \$236,058). Geological fees were \$342,910 (2010 - \$229,096), mining rights and taxes were \$57,168 (2010 - \$6,952) and drilling, sampling and assay costs of \$875,097 (2010 - \$nil).

For the **Peru Gold and Copper** project, expenditures were \$41,880 for the year ending December 31, 2011 (2010 - \$58,995). Geological fees were \$41,880 (2010 - \$54,995) and mining rights and taxes were \$nil (2010 - \$4,000).

For the **Bear** project, expenditures were \$nil for the year ending December 31, 2011 (December 31, 2010 - \$nil and January 1, 2010 - \$9,388). On April 30, 2010 the Company sold its 49% interest for \$3,000,000, and was payable: (i) by the assumption of 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 having an aggregate value of \$1,055,808 and recognized a loss of \$3,395,991.

In 2010, for the **Sunset West** project, the Company elected to expense the capitalized costs of \$75,000 in property and also decided to let its interest in this property lapse.

Expensed Exploration Costs

Expensed exploration costs were \$nil for the year, other than those described above relating to the sale and write-down of the Bear property and the Sunset West project in 2010.

**Liquidity and Capital Resources**

As of December 31, 2011, the working capital was \$132,984 as compared to working capital of \$945,118 as at December 31, 2010.

The Company's cash position decreased to \$264,735 as of December 31, 2011 as compared to a cash balance of \$964,378 as at December 31, 2010 as the company used \$967,338 (2010 - \$1,097,612) to fund operations.

Net cash used in investing activities for the year ending December 31, 2011 was \$1,317,055 (2010 - \$296,288) which primarily relates to expenditure on exploration and evaluation assets.

Net cash from financing activities for the year ending December 31, 2011 was \$1,584,750 (2010 - \$1,874,259) was primarily the result of issuance of shares of \$1,439,900 (2010 - \$2,314,000).

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



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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.

**Capital Commitments**

The Company had no commitments for property and equipment expenditures for 2012. 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.

**Transactions with Related Parties**

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$131,428 (2010 - \$45,000) to a company controlled by chief executive officer and director of the Company.
- b) Paid or accrued salary and consulting fees of \$61,431 (2010 - \$63,364) to an operational and financial officer and director of the Company.
- c) Paid or accrued consulting fees of \$52,000 (2010 - \$60,060) to a director of the Company.

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.

***Key management personnel compensation***

	Years ended	
	December 31, 2011	December 31, 2010
Short-term employee benefits – management fees	\$ 131,428	\$ 45,000
– salary	21,431	-
– consulting fees	92,000	123,424
Share-based payments	36,202	525,312
<b>Total</b>	<b>\$ 281,061</b>	<b>\$ 693,736</b>

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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:

As at December 31, 2011, the carrying values of cash, receivables and accounts payable and accrued liabilities, due to related parties and loans payable 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 December 31, 2011, 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 December 31, 2011, the Company had cash balance of \$264,735 (December 31, 2010 - \$964,378 and January 1, 2010 - \$484,019) to settle current liabilities of \$159,395 (December 31, 2010 - \$68,433 and January 1, 2010 - \$2,257,414).

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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**Financial Risk Management (cont'd)**

*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 December 31, 2011, the Company did not have any investments in investment-grade short-term deposit certificates. The Company's loans payable bear interest at fixed interest rates, and as such, the Company is not exposed to interest rate risk on its loans payable.

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.

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**Changes in Accounting Policies**

**International Financial Reporting Standards ("IFRS")**

The financial statements have been prepared in accordance with IFRS. The policies and estimates are considered appropriate under the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises were required to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company has transitioned from Canadian GAAP reporting and commenced reporting under IFRS effective this and previous quarter, with restatement of comparative information presented. The conversion to IFRS from Canadian GAAP had no effect on the Company's accounting policies, the Company's opening statement of financial position at the Transition Date, the statement of financial position as at December 31, 2010, and the statement of comprehensive loss for the year ended December 31, 2010.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- a) to apply the requirements of IFRS 2, Share-based Payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.
- b) IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2010.
- c) to apply the requirements of IAS 23, Borrowing Costs, as of the Transition Date.

In preparing the condensed interim financial statements, the Company has determined that there are no adjustments required for amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. As a result, the Company has not presented any reconciliation.

The Company's conversion plan to IFRS consisted of four primary stages including planning, assessment, design and implementation with periodic meetings with the Audit Committee to report progress and findings. The Company has completed the conversion plan and will be reporting in accordance with IFRS going forward. This will include ongoing monitoring of changes in IFRS, the potential or probable effects of which will be evaluated and disclosed as applicable.

Please see notes 2 and 16 of the financial statements for further details.

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**Outstanding Share Data**

*Authorized share capital*

Unlimited number of common shares without par value.

*Issued share capital*

At December 31, 2011 and April 30, 2012 (date of report), there were 93,911,848 and 97,041,048 issued and fully paid common shares (2010 - 79,372,848), respectively.

On July 15, 2011, the Company issued a total of 10,000,000 Units at a price of \$0.10 per Unit for a total gross proceeds of \$1,000,000. Each Unit consists of one common Share and one common Share Purchase Warrant that is exercisable at \$0.15 until November 16, 2011.

Stock Options

As at December 31, 2011 and April 30, 2012 (date of report), there were 7,700,000 and 9,300,000 stock options of the Company respectively outstanding at weighted average price of \$0.16.

Warrants:

As at December 31, 2011 and there were 30,333,333 warrants outstanding at weighted average exercise price of \$0.09.

As at April 30, 2012 (date of report), there were 33,462,533 warrants outstanding, at weighted average exercise price of \$0.10

Finders' warrants:

As at December 31, 2011 and April 30, 2012 (date of report), there were 690,667 finders' warrants outstanding at weighted average exercise price of \$0.11.

**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).