MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2008

General

This Management's Discussion and Analysis ("MD&A") provides relevant information on the operations and financial condition of Solex Resources Corp. ("Solex" or the "Company") during the year ended June 30, 2008. Management of the Company has prepared this MD&A as of August 27, 2008.

This MD&A is a complement and supplement to the audited annual consolidated financial statements for the year ended June 30, 2008. It should be read in conjunction with both the Company's audited annual consolidated financial statements for the years ended Jun 30, 2008 and 2007; both can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Except for historical information, this MD&A includes forward-looking statements which are subject to risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The Company assumes no obligation to update its forward-looking statements to reflect results, changes in assumptions or changes in other factors affecting such statements.

Overall Performance

Exploration

In the last financial year, Solex achieved a profound corporate transformation during a time of great market volatility.

Initially, a grassroots explorer in Peru with large early-stage projects, Solex concluded the year having:

- Drilled 24,000 metres with its partner on its Macusani East joint ventured properties;
- Completed a regional exploration program over the broader Macusani district;
- Drilled its first target on its wholly owned uranium projects in Macusani;
- Completed its first inferred resource on its Princesa lead- zinc-silver property;
- Contracted SGS Group to design, build and operate a moveable metallurgical test laboratory capable of process samples of up to six tonnes of material. The laboratory, constructed in Chile, was delivered to Peru in August 2008.

The current priorities are to begin to build uranium inferred resources as defined by the Canadian National Instrument 43-101, to better understand the possible costs of mining and generate increasingly more quality uranium drill targets.

At the outset of the year, the Company's joint venture partner and the operator, Frontier Pacific Mining Corporation ("Frontier Pacific") completed its US $4 million earn-in obligations a year early. Thereafter, the partners started funding the project equally. A year later in July 2008, Eldorado Gold Corporation ("Eldorado") completed a takeover of Frontier Pacific, a move motivated principally by Frontier Pacific's gold interests. Solex is now working with Eldorado to manage the joint venture during this transition stage, whilst Eldorado determines how it will divest itself of the non-core uranium assets.

Financial

As of June 30, 2008, the Company had $3,506,776 in cash and cash equivalents, having generated minor addition amounts through the conversion of options ($220,000) and earning interest income of $305,106.

The Company incurred a Net loss of $3,070,655, 38% of which is attributable to the Stock-based compensation expense.

Of the $7.8 million of funds expended during the year, $6.3 million was mainly invested in the Company's uranium related resources properties and equipments.

Selected Annual Information

The following chart shows the financial results derived from the Company's financial statements for each of the three most recently completed years ended June 30.

	June 30, 2008	June 30, 2007	June 30, 2006
Loss for the period	$ 3,070,655	$ 4,353,039	$ 1,850,653
Loss per share	0.05	0.09	0.07
Total assets	16,766,864	17,551,932	3,670,103

Results of Operations

Uranium Properties

Macusani Uranium District, Puno, Peru.

In the last year, the Macusani Uranium District of south-eastern Peru has advanced from having a single company performing exploration drilling to having five companies, including Solex, actively drilling for their first inferred resources as defined by Canadian National Instrument 43-101.

The drill results reported to date by all companies point to the uranium mineralisation being a regional phenomenon, hosting multiple, low grade, easy to mine targets. The eventual size of these targets, established by drilling, will determine the extent to which some of these targets might need to be aggregated to represent an economic resource.

The ability of any one company to achieve this is primarily a function of their ability to discover successively more of these deposits and for this they will need a substantial footprint in this region. Solex has by far the largest property portfolio in the region and continues to expand the uranium footprint through its regional exploration program in Macusani West, building upon the previous work of IPEN.

Companies active:

Company	Hectares in Macusani	Exchange and Symbol
Solex Resources Corp.	51,200	TSX-V: SOX
Frontier Pacific (now Eldorado)/Solex Joint Venture	43,320	TSX-V: FRP
Macusani Yellow cake	21,300	TSX-V: YEL
Vena/Cameco Joint Venture	47,500	TSX-V: VEM
Fission Energy Corp.	5,120	TSX-V: FIS
Contact Uranium Ltd.	2,700	ASX : CTS

The grade of uranium being reported from the Macusani Uranium District is generally much lower than has been found in parts of the Athabasca basin, but then the targets are also near surface, rather than being at a depth of 400 metres or more. The grades reported do have much in common with some of the profitable Namibian and Australian mines; therefore, an early demonstration of the likely mining costs is of particular importance. Peru has a reputation as a mining country of hosting large, low grade, but also low cost bulk mining operations at altitude. The company is addressing this key issue through the development of its onsite metallurgical testing laboratory, see below.

Macusani East, Joint Ventured Uranium Project (66 claims, 43,320 hectares)

On January 14, 2008, the Company and its joint venture partner Frontier Pacific (Eldorado acquired Frontier Pacific in July 2008, replacing them as the Company's joint venture partner) confirmed that Frontier Pacific, the then Operator, had completed the terms of the 2005 Option Agreement early, including US $4 million of exploration expenditures and had earned its 50% interest. The Macusani East joint ventured project will now be held in a Peruvian joint venture Management Company in which share ownership will be held 50% by each of the joint venture partners.

During 2007, a combined multi-disciplined exploration program using surface radiometric surveys, detailed radon cup surveys, trenching and sampling have outlined extensive areas containing occurrences of uranium mineralization. Approximately 80% of the mineral concession area has been investigated by surface mapping and scintilometre prospecting. The initial drilling on 7 (out of more than 50) target areas indicate that the nature of the uranium mineralization is disseminated and fracture filled within near flat lying volcanic exhalative flows. Although the uranium grades encountered in drilling and trenching can exceed several percent, the average grade from drilling to date can be expected to range from one-quarter to over one pound U_3O_8 per tonne over thicknesses of up to ten metres.

A total of 23,545 metres of diamond drilling was completed during 2007 on seven targets: Calvario III, Sayana West, Agaton, Sayana Central, Calvario I, Puncopata and Calvario II. A summary of the results from drill program completed in 2007 are as follows:

Target Name	Number of Drill Holes	Surface Area (metres)	Average Intercept Length (metres)	Average U3O8%	Average U3O8 lbs/ton
Calvario III	61	158,000	9.6	0.016%	0.32
Calvario III	61	158,000	3.7	0.024%	0.48
Calvario I	52	113,750	7.0	0.043%	0.82
Sayana West	28	100,000	4.3	0.011%	0.22
Agaton	40	160,000	3.0	0.009%	0.19
Sayana Central (partial)	24	120,000	3.5	0.053%	1.06
Calvario II	32	30,000	3.0	0.010%	0.21
Puncopata	24	120,000	4.0	0.055%	1.10

A 24,000 metre drill program and expansion of the ground radiometric surveys were announced in January 2008. The intention of the drilling was to expand the current targets and to evaluate new ones discovered in 2007. The program started in March working with pre-existing permits, but would be curtailed shortly afterwards due to a lack of permit continuity arising from a change in regulations. The new regulations require that additional consideration be given where companies are drilling for uranium, expanding the time needed to prepare and process the permit by approximately 60 days.

At the same time Frontier Pacific became the subject of a takeover bid by Eldorado, the primary interest being Frontier Pacific's gold project in Greece. Eldorado, being a gold mining and exploration company is not thought to have any interest in the uranium exploration assets in Macusani and the Company expects Eldorado to divest itself of these assets. In the meantime, the hiatus in drilling operations has provided an opportunity for the geological data bases to be brought up to date and consolidated.

This has proven to be particularly important with regard to the anticipated 43-101 inferred resource, which had been expected from the operator during first quarter of 2008. The company is now working with Eldorado to reassess the potential timing for the 43-101 report and if any additional work may be required to support that report.

Furthermore, the company is working closely with Eldorado to manage the Joint Venture during this transition phase.

Macusani South, 100% Owned Uranium Project (7 claims and 5,300 hectares)

Early in the year, the Company launched an initial, phase one exploration program focused on geological mapping, geochemical sampling and hand held scintillometre prospecting. A number of surface anomalies have been identified with visible uranium (predominantly autunite and torbernite) and scintillometre readings in excess of 30,000 counts per second. The uranium mineralization occurs as fracture coatings and disseminations within the Quenamari volcanic host rock. A total of 377 geochemical samples were taken with a maximum reported value of 0.272% U_3O_8.

A drill program has started on two drill targets. It involves the drilling from 20 sites of a maximum of 80 diamond drill core holes of at least HQ size to a depth of at least 30 metres, or to a depth determined by down-hole probing. At least 2 holes are planned to a depth of 250 metres to test for deeper systems that can not be determined by surface work. The drilling programme has been designed with the following objectives:

- To investigate the extension, geometry and controls of the uranium mineralization in three dimensions as well as to define the uranium content and grade distribution within these mineralized horizons;

- To obtain 3D geological information to aid in the development of geological and exploration models that can be used in the assessment of the remainder of Solex's 100% owned extensive property holdings in the Macusani Uranium District which exceed 42,400 hectares and where identified uranium anomalies are not found in outcrops; and

- To delineate an area to extract a representative sample of at least six tonnes of mineralized rock that will be used in a metallurgical test programme.

Metallurgical testing laboratory

In April 2008, the company contracted SGS to design, build and operate a moveable metallurgical test laboratory capable of process samples of up to six tonnes. The objective of this program is to address the critical issue of potential mining costs by demonstrating the viability of the recovery of uranium in a simple leach circuit on a significantly larger scale than conducted previously. The Laboratory, constructed in Chile, was delivered to its operating site in Peru during August 2008. Training, set up and sample preparation are currently underway.

Macusani West, 100% Owned Uranium Project (54 claims and 45,900 hectares)

Regional exploration work on these previously unexplored properties commenced in September 2007 with teams active through to the middle of December of the same year. The program has covered 22,700 hectares and has identified widespread uranium mineralization throughout both the Macusani West and Macusani South Central projects. To date, 11 anomalous target areas totaling 2,960 hectares have been identified, each ranging in size from 883 to 32 hectares.

The program consisted of four geological teams undertaking 1:25,000 scale geological mapping, geochemical sampling (461 rock samples) and prospecting using radiometric readings from hand scintillometres, as well as interpretation of satellite imagery (Photo, Aster, Landsat). During the most recent quarter, the analysis of the results and reporting on the field work were completed.

The complexity of the geology has resulted in the emplacement of multiple intrusive phases. The geology shows tuffs (Yapamayo series from Tertiary Quenamari formation) which are in some cases welded and leached at different levels. In general, this is the same rock type that is found at Macusani East (the Company's separately joint ventured uranium project), but intensely fractured and deformed by the effect of the multiple intrusive phases. Furthermore, the Macusani West claim block is bordered in the northwest by outcropping uraniferous cretaceous sediments mainly composed of sandstones and quartzite's pertaining to the Veluyo formation.

These properties now require systematically detailed follow up of these anomalies. During the latter half of the year, logistical, infrastructure and community support was established to facilitate the follow-up field activities. Further work is on-hold whilst the company focuses on it Macusani South project and the metallurgical testing.

Picotani, 100% Owned Uranium Project

The Picotani uranium property consists of eight claims totaling 6,606 hectares, and is grassroots in nature. Little is known of the area and the exploration activities have been minimal to date. During the period, the Company completed an access agreement with the local communities, which will enable the company to complete more detailed and systematic exploration activities, including drilling in the future. The timing and extent of future work on these properties is yet to be determined.

Precious/Base Metal Properties

Princesa and Pilunani, 100% Owned Silver-Lead-Zinc Projects

During the second half of the year, the Company completed a program of field work on the Princesa Claim that consisted of detailed geological mapping, further geochemical sampling of outcrops, veins as well as selective re-logging of drill core. This program was designed to improve the quality and completeness of the understanding of the geological setting and better evaluate the results generated from the 64 hole, 5,800 metre drill campaign completed in 2007. This work has been completed and a revised NI 43-101 technical report was filed in June 2008 and can be found on www.sedar.com.

The report identified an Inferred Mineral Resource of 4.6 million tonnes grading 90.88 g/t silver, 1.66% lead and 1.69% zinc. The report also concludes that the project has significant potential to increase these resources as the main vein is open both on strike and at depth, and no provision has been allowed for the potential discovery of other mineralized structures on the property.

The report recommends the Company to carry out additional drilling on the Princesa Vein to test its lateral and depth extension below 150 meters in order to bring the Inferred Mineral Resource to an Indicated-measured Resource category, to complete complementary drilling on the V2 and V1b veins and a systematic geochemical (rocks, soil and talus) sampling program, mapping, trenching and exploratory drilling both on the NW extension of the Princesa Vein.

A similar, but less extensive project is underway on the Pilunani Project for the 18 hole drill program completed in 2007. The field work has been completed and an updated report is due shortly.

Resource Property Expenditures

	Macusani East	Macusani West	Macusani South	Picotani	Pilunani – Princesa Belt	Cullquimayo	Totals
Balances, June 30, 2007	$ -	$ 510,035	$ 201,777	$ 177,527	$ 4,181,897	$ 331,079	$ 5,402,315
Deferred Exploration Costs							
Geology	577,860	437,178	466,415	134,491	327,748	-	1,943,692
Geophysics	61,352	535	103,652	-	1,344	-	166,883
Assays	68,167	6,045	20,149	9,398	19,318	-	123,077
Drillings	1,411,276	-	-	-	-	-	1,411,276
Logistics	278,739	78,202	199,894	129,870	169,482	4,928	861,115
Project management	148,776	35,047	50,869	21,142	18,430	1,433	275,697
Community relations	57,630	61,415	76,463	67,641	45,118	1,572	309,839
Fees, permits & licenses	148,403	155,736	15,925	19,987	42,233	31,800	414,084
Legal & accounting	67,766	1,094	2,708	5,214	5,458	1,434	83,674
Travel	36,693	36,023	44,879	8,499	10,109	704	136,907
VAT	-	119,432	148,994	57,278	92,404	8,004	426,112
Total Spending	2,856,662	930,707	1,129,948	453,520	731,644	49,875	6,152,356
Cost recovery	(525,000)	-	-	-	-	-	(525,000)
Advances for exploration, beginning of year	-	-	(201,777)	-	-	-	(201,777)
Advances for exploration, end of year	157,284	-	167,994	-	-	-	325,278
Balances, June 30, 2008	$ 2,488,946	$ 1,440,742	$ 1,297,942	$ 631,047	$ 4,913,541	$ 380,954	$11,153,172

Financial

The year ended June 30, 2008 compared to June 30, 2007

With active explorations on both joint ventured and wholly owned properties, the Company invested $6,152,356 into deferred exploration expenditures, a 46% increase compared to the last year. Following the completion of Frontier Pacific's earn-in obligations, the Company, from July 1, 2007 started contributing equally to the Macusani East joint venture project, with $2,856,662 being contributed during the year. Meanwhile, the Company spent $3,295,694 on its wholly owned properties.

The change in Net loss from $4,353,039 in 2007 to $ 3,070,655 in the current year is mainly accounted for by the decrease in the Stock-based compensation from $2,331,485 to $1,178,683 as a consequence of significantly fewer stock options being granted. An increase in interest income of $104,546 and reductions in Administrative expenditures also contributed to the reduction in Net loss.

Within Administrative expenses, Investor relations decreased by 37% from $445,829 in 2007 to $282,284 in 2008,Travel decreased by 49% from $162,451 in 2007 to $82,916 in 2008, and Office, rent and miscellaneous reduced by 26% from $238,573 in 2007 to $177,009 in 2008. Due to lower stock market activities, Filing and transfer agent fees decreased by 22% from $92,062 in 2007 to $71,481 in 2008.

Directors' fees of $73,562 reflect a new policy adopted to remunerate independent Directors for their services on the Board and Committees. Professional fees increased by $343,533 which was largely accounted for by the dissident proxy circular. As a result of the weaker US Dollar, the Company realized a Foreign exchange gain of $66,504, compared to a loss of $52,853 last year.

The three months ended June 30, 2008 compared to June 30, 2007

For the three months ended June 30, 2008, the Company incurred a total loss of $741,931. A 9% decrease from the loss of $816,839 during the same period last year. 24% of the loss is attributable to the Stock-based compensation of $180,053, whereas $149,518 Stock-based compensation in last year, representing 18% of the Net loss in the comparative period.

The Company earned $33,294 interest income compared to $107,626 during the same period last year. At the same time, the exploration expenditure increased by $1,020,066 ($1,871,218 in 4th quarter 2008 and $ 851,152 in 4th quarter 2007).

Over the three month this year, Consulting fees decreased by $38,535, 48% less than last year. Investor relations decreased by $66,913, 53% less that last year. Office, rent and miscellaneous reduced by $41,187, 52% less than last year. Travel reduced by $6,982, 14% less than last year.

However, Professional fees increased from $10,340 last year to $108,068 this year due to the legal counsels on setting up a Peruvian joint venture corporation. Salaries increased $14,609 due to hiring a VP Corporate Development. During the current period, the Company wrote off $53,795 Bad debt.

Summary of Quarterly Results

	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Operating loss for period	$ 775,225	$ 338,829	$ 1,752,273	$ 509,434	$ 741,258	$ 2,628,786	$ 527,270	$ 473,078
Total loss for period	741,931	274,473	1,656,223	398,028	816,839	2,576,139	503,084	456,977
Loss per share	$0.01	$0.00	$0.03	$0.01	$0.02	$0.05	$0.01	$0.01

Liquidity

The Company had cash and cash equivalents on hand $3,506,776 as of June 30, 2008 (June 30, 2007 - $11,285,983). The Company currently has sufficient cash resources to meet its ongoing obligations as they become due.

	June 30, 2008	**June 30, 2007**
Working Capital	$ 4,609,759	$ 11,597,387
Deficit	10,124,013	7,053,358

Corporate Activities

The Company elected Robert Boaz, Jonathan Challis, Gary German, Etienne Walter and Antony Wood as directors at its annual and special meeting of shareholders held on November 21, 2007.

On November 28, 2007, the Company appointed Deborah Thiel as Vice President Corporate Development. Ms. Thiel is responsible for overseeing the Company's public relations, investor relations, corporate development and compliance activities.

In May, the Company adopted a shareholder rights plan designed to encourage the fair and equal treatment of shareholders in connection with any takeover bid for the outstanding securities.

The Company also retained The Equicom Group Inc to provide strategic investor relations and financial communications services before the year end.

Capital Resources

The Company has no operations that generate cash flow and its long-term financial success is dependant on management's ability to discover economically viable quantities of ore. The exploration process can take many years and is subject to factors that are beyond the Company's control.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales and from the exercise of convertible securities. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for exploration investment, the Company's track record and the experience and caliber of its management.

As of June 30, 2008, the Company has a working capital of $4,609,759 (2007 - $11,597,387). The Company expects to fund most of its operations for the coming year from its current working capital, if necessary any shortfalls being financed through private placements. Consistent with its business plan, the Company will be actively seeking to both joint venture and/or dispose of projects. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activity. Management believes it will be able to raise equity capital as required in the long term, but recognize there will be risks involved that may be beyond their control. The Company intends to continue to use various strategies to minimize its dependence of equity capital, including the securing of joint venture partners where appropriate.

At June 30, 2008, the Company had 4,500,000 warrants and 4,905,000 options outstanding. All of the warrants expired unexercised subsequent to the year end.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements or amounts.

Transactions with Related Parties

The Company has incurred charges from directors and officers of the Company and companies in which a director or an officer acts as a manager of the Company. These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

		2008		2007
Consulting fees, paid to Nexus Consultants Inc, a company controlled by an officer	$	48,750	$	11,196
Rent, paid to Nikora Investment Inc., a company controlled by an officer	$	-	$	3,200
Accounts receivable from Doubloon Exploration Corp., a company with common officers and directors	$	15,000	$	68,795
Accounts receivable written off from Doubloon Exploration Corp., a company with common officers and directors	$	53,795	$	-

Proposed Transactions

There are no proposed transactions

Changes in Accounting Policies Including Initial Adoption

Financial instruments, recognition, measurement and Comprehensive income – Section 3855 and 1530

Effective July 1, 2007, the Company adopted the CICA Handbook Section 3855 Financial Instruments, Recognition and Measurement. This new standard requires the Company to account for certain financial assets and liabilities at fair value at each balance sheet date and revalue them at fair value on the date of implementation.

Financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method.
The Company has implemented the following classification:

- Cash and cash equivalents — Held-for-trading
- Accounts receivable — Loans and receivables
- Marketable securities — Available-for-sale
- Accounts payable and accrued liabilities — Other financial liabilities

As at July 1, 2007, the carrying value and fair value of marketable securities were $436,000 and $607,500 respectively. The initial adoption of this new standard resulted in a net unrealized gain of $171,500. This net unrealized gain is presented as an adjustment to marketable securities and accumulated other comprehensive income.

Comprehensive income

Effective July 1, 2007, the Company adopted the CICA Handbook Section 1530 Comprehensive Income, which establishes standards for presentation and disclosure of a statement of comprehensive income (loss). Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) consists of gains and losses affecting shareholders' equity that under GAAP are excluded from net income (loss).

The Company's consolidated financial statements include a consolidated statement of other comprehensive loss while the cumulative amount and accumulated other comprehensive income ("AOCI") are presented as a separate item of shareholders' equity.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other receivables, and accounts payable. Unless otherwise noted, it is Management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments.

National Instrument 51-102 Section 5.4

Warrants

The following summarizes the warrants that have been issued, exercised and expired during the years ended June 30, 2008 and 2007:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2006	4,480,817	$ 0.37
Issued	7,312,727	$ 1.31
Exercised	(6,678,744)	$ 0.50
Expired	(74,800)	$0.75
Balance, June 30, 2007	5,040,000	$ 1.55
Expired	(540,000)	$1.20
Balance, June 30, 2008	4,500,000	$ 1.60

As of June 30, 2008, the Company had share purchase warrants outstanding as follows:

		Number of Warrants	
Expiry Date	Exercise Price	2008	2007
August 27, 2008	$1.60	4,500,000	4,500,000
February 27, 2008	$1.20	-	540,000
		4,500,000	5,040,000

Stock options

The following summarizes the options that have been granted, exercised, cancelled or expired during the years ended June 30, 2008 and 2007:

	Number of Options	Weighted Average Exercise Price Per Share
Balance, June 30, 2006	3,055,000	$ 0.41
Granted	3,215,000	$ 1.19
Exercised	(1,475,000)	$ 0.34
Cancelled	(165,000)	$ 0.89
Balance, June 30, 2007	4,630,000	$ 0.96
Granted	2,995,000	$0.44
Exercised	(525,000)	$ 0.42
Expired	(980,000)	$ 0.49
Cancelled	(1,215,000)	$ 0.87
Balance, June 30, 2008	4,905,000	$ 0.81

Other than investor relations personnel, whose options vest in four equal installments over the first 12 months, stock options vest 100% upon grant.

Stock-based awards are measured and recognized using a fair value based method. During the year ended June 30, 2008, the Company granted options to purchase up to 2,995,000 (2007 – 3,215,000) shares at the weighted average exercise price of $0.44 (2007 - $1.19) per share, with an estimated combined fair value of $1,035,543 (2007 - $2,331,485) on the grant date as determined using the Black-Scholes option pricing model. Of this fair valued stock-based compensation expense, $906,369 attributes to the directors and officers (2007 - $1,588,740), $96,152 attributes to the employees (2007 - $212,221), and $33,022 attributes to the consultants (2007 - $530,524).

Of the recognized stock-based compensation expense $1,178,683 in 2008, $148,300 is related to the options granted in 2007. The balance of $1,030,383 is related to the options granted in 2008.

Due to vesting terms, $5,160 in stock-based compensation for options granted in 2008 will not be recognized until 2009.

The fair value of each option grant is calculated using the following weighted average assumption:

	2008	**2007**
Expected life (years)	5.00	2.00
Interest rate	3.93%	3.93%
Volatility	114%	126%
Dividend yield	0.00%	0.00%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and, therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

As at June 30, 2008, the following share purchase options were outstanding:

Expiry Date	Exercise Price	Number of Options		Weighted Average Remaining Contractual Life (in years)
		2008	2007	
October 7, 2007	$ 0.40	-	1,005,000	-
January 30, 2008	$ 0.49	-	100,000	-
March 27, 2008	$ 0.68	-	400,000	-
April 26, 2008	$ 0.50	-	80,000	-
August 11, 2008	$ 0.46	35,000	185,000	0.12
September 30, 2008	$ 0.46	-	100,000	-
October 31, 2008	$ 0.58	200,000	200,000	0.34
February 19, 2009	$ 1.20	150,000	150,000	0.61
February 19, 2009	$ 1.27	150,000	150,000	0.61
March 7, 2009	$ 1.35	1,245,000	1,760,000	0.68
March 13, 2009	$ 1.35	250,000	250,000	0.70
March 27, 2009	$ 1.35	250,000	250,000	0.74
October 8, 2012	$ 0.50	1,715,000	-	4.27
May 20, 2013	$ 0.30	910,000	-	4.89
Total options outstanding	$ 0.81	4,905,000	4,630,000	2.70
Total options exercisable	$ 0.81	4,892,500	4,455,000	2.70

Escrow shares

A total of 4,550,000 common shares were subject to an escrow agreement signed in 2004. Shares are subject to a time release over a three-year period as follows:

(i) 10% - October 28, 2004 (released);
(ii) 15% - 6 months after October 28, 2004 (released);
(iii) 15% - 12 months after October 28, 2004 (or October 28, 2005) (released);
(iv) 15% - 18 months after October 28, 2004 (or April 28, 2006) (released);
(v) 15% - 24 months after October 28, 2004 (or October 28, 2006) (released);
(vi) 15% - 30 months after October 28, 2004 (or April 28, 2007) (released); and
(vii) 15% - 36 months after October 28, 2004 (or October 28, 2007) (released).

On October 26, 2006, there was an additional 157,500 escrow shares added from an exercise of warrants.

(i) 33% - October 28, 2006 (released);
(ii) 33% - 6 months after October 28, 2006 (or April 28, 2007) (released); and
(iii) 33% - 12 months after October 28, 2006 (or October 28, 2007) (released).

As of June 30, 2008, all 4,707,500 shares in escrow have been released.

Risks and Uncertainties – Environmental, Regulatory, Capital Markets and Others

The Company operates as a mineral explorer in the mining industry. Mineral exploration involves considerable financial and technical risk. Substantial time and expenditures are usually required to make a discovery and to establish economic ore reserves. It is impossible to assure that the current exploration properties and programs planned by the Company will result in an economic mineral discovery and development. Accordingly, success in achieving the objectives of the Company is affected by many circumstances over which the Company has no control. There is inherent risk in the exploration for mineral resources that is unavoidable.

Also, there are risks associated with political instability, the impact of commodity prices on the valuation of mineral properties and share prices and general changes in economic conditions.

The Company's mineral exploration activities have to be financed either through joint ventures or in the capital markets through the sale of its Common Shares. The ability of the Company to raise exploration funds in the capital market is highly dependent on the value the market places on the Company's mineral properties and the strength of the metal markets. The value the market places on the Company's mineral properties is directly related to the grade and thickness of the contained mineralization being reported and the potential to develop these mineral values into an economic deposit.

Outlook

The Company believes the continuing increase in the cost of securities reporting, regulatory compliance and audit and accounting fees remains a significant factor that could have an impact on the future financial condition of the Company. The Company believes that these costs will continue to rise in ensuing years due to the constant change of regulatory reporting, corporate governance and compliance, interim and annual financial documentation and reporting.

Another area of financial risk to the Company is the rise in costs to perform exploration activities throughout Peru. Over the last three years, exploration costs have increased significantly as the mineral industry struggles with the increased cost associated with land use permitting, the increased price of fuel and materials, a shortage of equipment and trained people and delays that result from these conditions.

Factors that may positively or negatively impact the future financial condition and performance of the Company is the overall health of the global economies as the Company usually derives a significant portion of its working capital from public financings.

Other factors that may affect the performance of the Company is the positive or negative movement in metal prices, which is strongly related to the health of the global markets, affecting the overall demand for metals.

Currently the metal markets are generally strong driven by rapidly expanding Asian economies. The Company believes that the current strong metal prices are generally sustainable in the immediate future due to the overall growth in the global economies and particularly in the developing nations such as China and India.

All uranium exploration companies have seen a distinct change in investor sentiment with the considerable volatility seen in the uranium spot price since the summer 2007 which has had a negative impact on our share prices. Following a seven fold increase in the uranium spot price over the last five years, the spot price since June 2007 has dropped considerably from its $140 (per pound U_3O_8) high to approximately $65/lb. However, the long term uranium price has remained more consistent and is currently in the $90/lb range. The Company believes that the underlying demand for uranium remains strong.

Disclosure Controls and Procedures

Pursuant to Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, management has designed and evaluated the effectiveness of the Company's disclosure controls and procedures as at June 30, 2008 and found them to meet required standards.

Other

Share Ownership Interest of Directors and Officers

As of August 27, 2008, the directors and officer of the Company own the common shares and options as follows:

Name	Common Shares	Options
Jonathan Challis, President and Director	1,074,500	900,000
Robert Boaz, Chairman and Director	-	400,000
Tony Wood, COO, CFO and Director	-	900,000
Gary German, Director	-	550,000
Etienne Walter, Director	-	500,000
Deborah Thiel, Officer	173,000	650,000

Property Reports

The company's most recent property reports for the Macusani, Pilunani and Cullquimayo properties, prepared under national instrument 43-101 are available on www.sedar.com.