



MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended December 31, 2007

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 six months ended December 31, 2007. Management of the Company has prepared this MD&A as of February 15, 2008.

This MD&A is a complement and supplement to the interim consolidated financial statements for the six months ended December 31, 2007. It should be read in conjunction with the Company's interim consolidated financial statements for the six months ended December 31, 2007 and the audited annual consolidated financial statements for the years ended June 30, 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

During the quarter, the Company made swift progress on its three wholly owned uranium properties. 1:25,000 scale geological maps have been completed for Macusani West, Macusani South and Macusani South Central. Over 600 rock chip samples have been taken on all three projects and sent to either CIMM or SGS Laboratories in Lima for analysis.

Exploration work on these previously unexplored properties has identified widespread uranium mineralization throughout both the Macusani West and Macusani South Central projects. 11 anomalous target areas totaling 2,960 hectares have been identified, each ranging in size from 883 to 32 hectares. Results from Macusani South are pending.

Based on the 24,000 metre drill program, concluded upon during the period, the Company and its joint venture partner Frontier Pacific Mining Corporation ("Frontier Pacific") are currently completing the first National Instrument 43-101 compliant resource calculation on the initial seven targets on the Macusani East joint venture project. Additionally, metallurgical column testing is underway at Lakefield Research in Ontario on a 450 kilogram sample of drill core from the Puncopata, Calvario I, Calvario III and Sayana Central uranium resource targets.

The 2008 \$5.5 million program will include an additional 20,000 metres of drilling on the known as well as new targets.

Subsequent to the period end, the Company confirmed that Frontier Pacific had completed the necessary \$4 million of qualifying expenditures and issued the Company 750,000 shares into trust, thus completing its obligations to earn a 50% interest in the Macusani East joint venture properties. The partners are in the process of establishing a Peruvian corporate vehicle required to hold the joint venture assets.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

Financial

As of December 31, 2007, the Company had \$7,171,665 in cash and cash equivalents. The Company raised \$220,000 through the conversion of options during the six month period ended December 31, 2007 and generated \$207,456 in interest income.

The Company has progressed from an exclusively grassroots exploration company into one with more advanced stage exploration projects. As a consequence, mineral properties expenditures have been increasing steadily, accounting for \$2,927,756 in cash expenditures over six months to December 31, 2007, whereas \$1,152,241 for the same period in 2006. Since the beginning of the new fiscal year, the Company has been carrying out a comprehensive regional exploration and reconnaissance program on its wholly owned Macusani West uranium properties expending \$710,900. In the same period, on its Macusani East joint ventured properties, the Company has been contributing their equal share of the exploration costs, with \$1,788,229 spent on the drilling program through the six month period. The balance of \$428,627 was spent on the Picotani, Pilunani-Princesa Belt and Cullquimayo projects.

The Company incurred a net loss of \$2,054,251 (\$0.04 per share). 48% of the loss is attributable to the Stock option compensation of \$993,470.

Selected Interim Information

The following chart shows the financial results derived from the Company's financial statements for each of the three most recently completed six months ended December 31.

	December 31, 2007	December 31, 2006	December 31, 2005
Loss for the period	\$ 2,054,251	\$ 960,061	\$ 930,702
Loss per share	0.04	0.02	0.04
Total assets	16,707,715	6,364,977	2,108,617

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

Results of Operations

During the second quarter, the Company has been directing its resources to the exploration and development of its uranium properties in the Macusani Uranium District of southeastern Peru. In addition to contributing financially to the operation being carried out by the operator on the Macusani East joint ventured uranium properties, the Company has advanced its wholly owned Macusani West projects (Macusani South, Macusani South Central and Macusani West).

Uranium Properties

Macusani East, Joint Ventured Uranium Project

Puncopata: 12 drill holes targeted the east-west radiometric anomaly at Puncopata and confirmed a near-surface, flat lying ignimbrite volcanic flow containing a weighted average grade of 0.055% U₃O₈ (552ppm U₃O₈) or 1.1 pounds per ton (U₃O₈) over an average stratigraphic thickness of 4.0 metres covering an area measuring 800 metres by 150 metres in plan view.

The drill results show excellent continuity of uranium grade within a strata-bound westerly-terminating wedge of the T2 ignimbrite volcanic flow. Mineralization remains open to the east.

The summary highlighted results are as follows:

- 8m @ 7.5 lbs/ton (0.373%) U₃O₈ (in drillhole PUN07-01)
- 7m @ 3.8 lbs/ton (0.189%) U₃O₈ (in drillhole PUN07-09)
- 2m @ 2.5 lbs/ton (0.125%) U₃O₈ (in drillhole PUN07-02)

Sayaña Central: 24 drill holes targeted the north-south radiometric anomaly at Sayaña Central and confirmed a near-surface, flat-lying ignimbrite volcanic flow (type T2) containing a weighted average grade of 0.053% U₃O₈ (531 ppm U₃O₈) or 1.06 pounds per ton (U₃O₈) over a stratigraphic thickness of 3.5 metres over an area measuring 800 metres by 150 metres in plan view.

The drill results show excellent continuity of uranium grade within a sub-vertical structural corridor preferentially hosted within the ignimbrite flow. Mineralization is open to the south and at depth.

The summary highlighted results are presented as follows:

- 9m @ 2.2 lbs/ton (0.108%) U₃O₈ (in drill hole SY07-19)
- 2m @ 5.9 lbs/ton (0.297%) U₃O₈ (in drill hole SY07-20)
- 5m @ 2.6 lbs/ton (0.129%) U₃O₈ (in drill hole SY07-14)
- 5m @ 2.1 lbs/ton (0.107%) U₃O₈ (in drill hole SY07-08)
- 3m @ 2.6 lbs/ton (0.127%) U₃O₈ (in drillhole SY07-06)

Based on the 24,000 metre drill program, concluded during the period, the Company and its joint venture partner Frontier Pacific are currently completing the first National Instrument 43-101compliant resource calculation on the initial seven targets on the Macusani East joint ventured project. Additionally, metallurgical column testing is underway at Lakefield Research in Ontario on a 450 kilogram sample of drill core from the Puncopata, Calvario I, Calvario III and Sayana Central uranium resource targets.

The 2008 \$5.5million program will include an additional 20,000 metres of drilling on the known, as well as new targets.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

Macusani West Projects, 100% Owned Uranium Project

Macusani South

Significant progress was achieved on the regional exploration program in the three months ended December 31, 2007. Geological mapping was completed on a 1:25,000 scale and a 100-metre-spaced radiometric survey commenced and is currently being completed. Subsequent to the period end, detailed geological mapping on a 1:1,000 scale has been undertaken with channel sampling and closer spaced radiometric surveying being used to better define the target areas.

Macusani South Central

In September 2007, the first stage of regional exploration commenced with three field crews. To date, a 1:25,000 scale geology map and regional geophysics have been completed. Two anomalous areas have been identified and follow up investigation is planned. Covering 4,000 hectares and located between the Macusani South and Macusani West projects, this project was subject to preliminary prospecting work in 2006.

Macusani West

In October 2007, the first stage of regional exploration commenced with three field crews undertaking geological mapping and prospecting using hand-held scintillometers. To date, a 1:25,000 scale geology map and the geophysical prospecting have been completed. 11 anomalous uranium areas have been identified and follow up investigation is planned. Macusani West covers 34,100 hectares.

The complexity of the geology has resulted in the emplacement of multiple intrusive phases. The most striking known example of these occurrences in this area is the silver-rich, low-sulfidation (LS) epithermal deposit of Corani operated by Bear Creek Mining Corporation. 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, 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 uraniumiferous Cretaceous sediments, mainly composed of sandstones and quartzite's pertaining to the Veluyo formation.

Picotani, 100% Owned Uranium Project

The Picotani uranium property consists of three claims totaling 2,106 hectares and is grassroots in nature. Little is known of the area and a program of regional exploration is currently underway to better understand the region and its potential for more detailed uranium exploration.

Precious/Base Metal Properties

Princesa, 100% Owned Silver-Lead-Zinc Project

During the first quarter, the Company released the last results from the second phase drill program completed in 2007. The latest results have increased the strike length to over 1.7 kilometres. A highlight was hole PRIN-53, located in a newly identified anomalous zone, which returned 273.2 g/t Ag, 1.18% Pb and 0.48% Zn over 24.1 metres, including a high-grade intersection of 1,482.5 g/t Ag, 1.65% Pb and 0.78% Zn over three metres. In line with its strategy to focus primarily on the development of its uranium properties, the Company is pursuing partners to further explore this property.

Pilunani, 100% Owned Zinc-Lead Project

During the quarter, the remaining results from the second phase drill program were released. These results have increased the strike length of the lead-zinc anomaly from 200 metres to over 900 metres along strike. A highlight from the program was hole PIL-14 which intersected five independent mineralized zones over 44.8 metres, with an interval returning 5.35% lead and 9.84% zinc over three metres. Mineralization still remains open to the northwest and to depth. As in the case of the Princesa property above, the Company is pursuing partners to further explore this property.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

Resource Property Expenditures

	Pilunani-Princesa Belt	Cullquimayo	Macusani East	Macusani West	Macusani South	Picotani	Totals
Balances, June 30, 2007	\$ 4,181,897	\$ 331,079	\$ -	\$ 510,035	-	\$ 177,527	\$ 5,200,538
Acquisition costs	2,105	-	31,269	-	-	169	33,543
Deferred Exploration Costs							
Assaying	62	-	47,042	4,566	4,721	5,181	61,572
Geology/Engineering	68,705	-	137,825	394,387	149,336	37,652	787,905
Geophysics	-	-	130,263	10,146	19,723	-	160,132
Drilling	-	-	1,075,397	-	-	-	1,075,397
Field works	104,149	56	114,577	4,267	15,102	17,240	255,391
Logistics	85,043	-	148,015	29,317	38,266	32,578	333,219
Community relations	26,689	-	34,723	20,776	22,911	23,201	128,300
Consulting	6,263	-	50,155	15,149	12,228	13,715	97,510
Travel and accommodation	2,840	-	18,963	30,000	5,652	2,979	60,434
Total Spending	295,856	56	1,788,229	508,608	267,939	132,715	2,993,403
Balances, December 31, 2007	\$ 4,477,753	\$ 331,135	\$ 1,788,229	\$ 1,018,643	\$ 267,939	\$ 310,242	\$ 8,193,941

Financial

The six months and three months ended December 31, 2007 and 2006

The Company is now entering into a more advanced stage of exploration with its joint venture partner on the Macusani East properties which were largely responsible for the increase in exploration expenditures of \$1,775,515 (154%) compared to the same period last year. In addition to contributing equally to the drilling program on Macusani East joint venture uranium properties, the Company also launched an extensive regional exploration program on its wholly owned Macusani West uranium properties. Over the six month period, the Company spent a total of \$2,927,756 (\$1,152,241 in 2006) on exploration expenditures.

The Company had a net loss of \$ 2,054,251 (\$960,061 in 2006). Almost half of the loss is attributable to the Stock option compensation of \$993,470 (\$174,314 in 2006). While the Company made a significant more Interest income, \$207,456 (\$40,287 in 2006), it also saw significant increases in Profession fees and Filing fees, which increased by \$281,476 and \$9,849 respectively, and were partly due to the actions taken in response to the dissident proxy circular.

As a result of the depreciation of US currency, the Company realized a Foreign exchange loss of \$47,918 due to holding amounts in US funds for its exploration expenditures in Peru.

For the three months ended December 31, 2007, the total loss increased by \$1,153,139. 71% of the increase was due to the Stock option compensation of \$919,320 (\$104,072 in 2006). Increases in Professional fees of \$221,313 and Filing fees of \$22,668 also contributed to the loss in the quarter.

The Company generated \$126,000 through the conversion of the options and earned \$96,050 in interest income, while last year, it raised \$657,502 through the financing activities and earned only \$24,186 in interest income in the same period,

Over three month period, \$1,095,717 was spent on exploration expenditures compared to \$764,140 in the comparative period.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

The six months ended December 31, 2007 since the year ended June 30, 2007

Over the six months since the last fiscal year end, the Company had incurred a loss of \$2,054,251, of which \$993,470 is related to Stock option compensation, and has accumulated losses of \$9,107,609.

Total assets were down by \$844,217, with major changes being a reduction of cash by \$4,114,318 as offset by increases in Resource property expenditures by \$2,993,403 since the last fiscal year end.

In addition to the aforementioned charge of \$993,470 of Stock option compensation to the Statement of Operations and Deficit, other significant changes in General and administrative expenses in the six month include increases in Profession fees and Filing fees, and reductions in investor relations and Management fees.

Summary of Quarterly Results

	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
Operating loss for period	\$ 1,752,273	\$ 509,434	\$ 741,258	\$ 2,628,786	\$ 527,270	\$ 473,078	\$ 496,018	\$ 589,218
Total loss for period	1,656,223	398,028	816,839	2,576,139	503,084	456,977	325,350	594,601
Loss per share	\$0.03	\$0.01	\$0.02	\$0.05	\$0.01	\$0.01	\$0.01	\$0.02

Liquidity

The Company had cash and cash equivalents on hand \$7,171,665 as of December 31, 2007 (June 30, 2007 - \$11,285,983). The Company currently has sufficient cash resources to meet its ongoing obligations as they become due.

	December 31, 2007	June 30, 2007
Working Capital	\$ 7,462,628	\$ 11,363,164
Deficit	9,107,609	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.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

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.

The Company currently has sufficient financial resources to meet its administrative overhead expenses and to undertake all of its planned exploration activities for the next twelve months. 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 December 31, 2007, the Company had 5,040,000 warrants and 5,195,000 options outstanding.

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.

	December 31, 2007	December 31, 2006
Consulting fees, paid to Jonathan Challis, President and Director	\$ 112,500	\$ 100,000
Management fees, paid to Sebastian Reidl, Officer and (resigned February 1, 2007)	-	72,000
Director's fees, paid to Robert Boaz, Independent Chairman and Director	10,750	-
Director's fees, paid to Gary German, Director	7,606	-
Director's fees, paid to Etienne Walter, Director	8,206	-
Consulting fees, paid to Nexus Consultants Inc, controlled by Deborah Thiel, Officer	42,500	-
	\$ 181,562	\$ 172,000

Proposed Transactions

There are no proposed transactions

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

Changes in Accounting Policies Including Initial Adoption

On July 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1506 – Accounting Changes. This standard established criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimate, and correction of errors.

Effective July 1, 2007, the Company adopted the CICA Handbook Section 3855 - Financial Instruments, Recognition and Measurement and Section 1530 – Comprehensive Income. These new standards require us to revalue certain financial assets and liabilities at fair value on the date of implementation.

Section 3855 - Financial Instruments, Recognition and Measurement

The new standards require us to classify these financial assets and liabilities according to their characteristics and management’s choices and intentions related thereto for the purposes of subsequent accounting. Classification choices for financial assets include: (a) Held for Trading; (b) Held to Maturity; (c) Available for Sale; and (d) Loans and Receivables. Classification choices for financial liabilities include: (a) Held for Trading; and (b) Other. Subsequent accounting for these assets and liabilities will be based on either fair value or amortized cost using the effective interest method, depending upon their classification.

Financial assets and financial liabilities classified as held-for-trading are required to be measured at fair value, with gains and losses recognized in net earnings.

Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method of amortization.

Available-for-sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in Other Comprehensive Income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market should be measured at cost.

The Company has implemented the following classification:

Cash and cash equivalents, accounts receivable and other receivables are classified as “held-for-trading”. These financial assets are measured at fair market value and the gain/loss resulting from the evaluation at the end of each period is recorded in net income.

Long-term investment is classified under “available-for-sale financial assets”. It is measured at fair market value and the gain/loss resulting from the evaluation at the end of each period is recorded as Comprehensive income.

Accounts payable and accrued liabilities are classified as “held-for-trading”. These financial liabilities are measured at fair market value and the gain/loss resulting from the evaluation at the end of each period is recorded in net income.

Effect of the Changes in Accounting Policies

Following the adoption of new standards, Long-term investment has been classified under “available-for-sale financial assets”. As at July 1, 2007, the carrying value and fair value of Long-term investment were \$436,000 and \$592,500 respectively. The initial valuation resulted in a net unrealized gain of \$156,500. This net unrealized gain is presented as an adjustment to Long-term investment and Accumulated other comprehensive loss.

Section 1530 – Comprehensive Income

Comprehensive Income is comprised of Net Earning (Loss) and Other Comprehensive Income (“OCI”), which represents changes in shareholders’ equity during a period arising from transactions and other events with non-owner sources. OCI would generally include unrealized gains and losses on financial assets classified as available-for-sale. The Company’s consolidated financial statements include a consolidated statement of Other Comprehensive Income 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.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

National Instrument 51-102 Section 5.4

Warrants

The following summarizes the warrants that have been granted, exercised and expired during the period ended December 31, 2007 and the year ended June 30, 2007:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2006	4,480,817	\$ 0.37
Granted	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
Granted	-	-
Exercised	-	-
Balance, December 31, 2007	5,040,000	\$ 1.55

As of December 31, 2007, the Company had share purchase warrants outstanding as follows:

Expiry Date	Exercise Price	Number of Shares	
		December 31, 2007	June 30, 2007
August 27, 2008	\$1.60	4,500,000	4,500,000
February 27, 2008	\$1.20	540,000	540,000
		5,040,000	5,040,000

Stock options

The following summarizes the options that have been granted, exercised, cancelled or expired during the period ended December 31, 2007 and the year ended June 30, 2007:

	Number of Shares	Exercise Price Per Share
Balance, June 30, 2006	3,055,000	\$ 0.41
Options granted	3,215,000	\$ 1.19
Options exercised	(1,475,000)	\$ 0.34
Options cancelled	(165,000)	\$ 0.89
Balance, June 30, 2007	4,630,000	\$ 0.96
Options granted	2,085,000	\$ 0.50
Options exercised	(525,000)	\$ 0.42
Options expired/cancelled	(995,000)	\$ 0.51
Balance, December 31, 2007	5,195,000	\$ 0.91

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 six months ended December 31, 2007, the Company granted options to purchase up to 2,085,000 shares at the exercise price of \$0.50 per share, with an estimated combined fair value of \$860,649 as determined using the Black-Scholes option pricing model.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

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	4.35%	3.87%-4.19%
Volatility	116%	87%-138%
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 December 31, 2007, the following share purchase options were outstanding:

Expiry Date	Exercise Price	Number of Shares	
		December 31, 2007	June 30, 2007
October 7, 2007	\$ 0.40	-	1,005,000
January 30, 2008	\$ 0.49	-	100,000
March 27, 2008	\$ 0.68	300,000	400,000
April 26, 2008	\$ 0.50	30,000	80,000
August 11, 2008	\$ 0.46	85,000	185,000
September 30, 2008	\$ 0.46	-	100,000
November 1, 2008	\$ 0.58	200,000	200,000
February 9, 2009	\$ 1.20	150,000	150,000
February 9, 2009	\$ 1.27	150,000	150,000
March 7, 2009	\$ 1.35	1,695,000	1,760,000
March 13, 2009	\$ 1.35	250,000	250,000
March 27, 2009	\$ 1.35	250,000	250,000
October 8, 2012	\$ 0.50	2,085,000	-
Total options outstanding	\$ 0.91	5,195,000	4,630,000
Total options exercisable	\$ 0.92	5,175,500	4,455,000

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

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 December 31, 2007, 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 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 cost to perform exploration activities throughout Peru. Over the last three years, exploration costs have gone up 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 and trading marketable securities.

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, which affects 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 price since the summer with a negative impact on our share price. Following a seven fold increase in the uranium price over the last five years, the price since June 2007 has dropped considerably from its \$140 (per pound U3O8) high to approximately \$70/lb. The Company believes that the underlying demand for uranium remains strong.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

Disclosure Controls and Procedures

Pursuant to Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2007 and found them to meet required standards.

Other

Share Ownership Interest of Directors and Officers

As of February 15, 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	-	400,000
Etienne Walter, Director	-	350,000
Deborah Thiel, Officer	173,000	350,000

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.