

STUVE GOLD CORP.
Management Discussion and Analysis
Years Ended December 31, 2022 and 2021

The following management discussion and analysis (“MD&A”) should be read in conjunction with the Corporation’s audited annual financial statements for the years ending December 31, 2022 and 2021 (the “Audited Statements”). Additional information relating to the Corporation is available on SEDAR at www.sedar.com. The Audited Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), which are also generally accepted accounting principles (“GAAP”) for publicly accountable enterprises in Canada.

This MD&A was prepared by management of Stuve Gold Corp. (the “Corporation” or “Stuve Gold”) and was approved by the Board of Directors on April 28, 2023. All amounts are in Canadian dollars unless otherwise stated.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute “forward-looking statements”. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “propose”, “anticipate”, “believe”, used by any of the Corporation’s management, are intended to identify forward-looking statements. Such statements reflect the Corporation’s forecasts, estimates and expectations, as they relate to the Corporation’s current views based on their experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Corporation does not intend, and does not assume any obligation to, update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments unless required by applicable securities law.

DESCRIPTION OF THE BUSINESS

The Corporation was incorporated on December 14, 2017 as Big Dougie Capital Corp by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta) and on November 13, 2020 the Corporation amended its articles to affect a name change to Stuve Gold Corp. The head office of the Corporation is located at Suite 700, 903 – 8th Ave SW, Calgary Alberta, T2P 0P7. The registered office of the Corporation is 800, 333 – 7th Ave SW, Calgary Alberta T2P 2Z1.

The Corporation must secure sufficient funding to fund future operations of the mining business. At December 31, 2022, the Corporation had a working capital deficiency of \$340,302 (2021 – \$237,915). The Corporation completed a private placement of convertible debentures in the first quarter of 2023 for gross proceeds of approximately \$650,000, which will further fund future operations. However, due to the nature of the mining industry, additional financing will be required in due course.

Management will seek additional forms of financing through the issuance of new equity or debt instruments to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without such funding being available, the Corporation may not be able to continue its operations, and the amounts realizable for the assets could be less than the amounts reflected in these consolidated financial statements.

CORPORATE REVIEW AND OUTLOOK

Review

During 2021 and in 2023 up to the date of this MD&A, the Corporation completed or continued the following initiatives:

- 1) Continued with progress payments towards acquiring a 100% unencumbered interest in a third property located in northern Chile referred to as the "Inca Property". Management of the Corporation believes that this third property is prospective for gold and copper.
- 2) Completed subsurface mapping and sampling programs from within the two mine shafts located on the Coba SW Property. Assays results from the program confirmed the significant grades reported from historic production.
- 5) Completed an initial sampling program at the Santa Gracia Property.
- 6) Completed a check sampling program at the Inca Property.
- 7) Completed the first phase drilling program at the Coba SW Property.
- 8) Completed two private placements for gross proceeds of approximately \$1,000,000

Outlook

Coba SW

The Corporation completed the first phase drilling program on the Coba SW Property in September, 2021. The drilling program was designed to evaluate the lateral and vertical extent of mineralization. Drilling results were press released on September 28, 2021 and were very positive – leading management to evaluate options to further evaluate the property. Management has received a preliminary report pertaining to the feasibility of returning the property to production.

Inca

The Corporation is in possession of assay results from a surface sampling program and an induced polarity geophysical program previously completed on the Inca Property. The Corporation intends to commence a drilling program on the Inca property during the latter half of 2023. The scope of the program is currently being evaluated and negotiations regarding surface access from the nearby community is ongoing.

Santa Gracia

The Corporation completed a first stage recognizance sampling program at the Santa Gracia property during Q2 2021. The Corporation expects to continue exploration efforts on the Santa Gracia Property that will include further surface geochemistry and sampling followed by further geophysical work as appropriate. Estimates on the timing of a potential drilling program on the Santa Gracia property are premature at this time.

Commodity Prices

Commodity prices for the minerals the Corporation is exploring for (Copper, Gold, Silver and Cobalt) have remained robust. While the Corporation is unable to forecast commodity prices in general, management of the Corporation believes that commodity prices will remain strong based on a post Covid 19 economic recovery.

SELECTED FINANCIAL INFORMATION AND OPERATIONAL REVIEW

The following selected financial data is derived from the Audited Statements of the Corporation prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards applicable to the preparation of financial statements, including IAS 34.

Selected Statement of Financial Position Data as at	December 31,	
	2022	2021
Net working capital (deficit)	\$ (340,302)	\$ (237,915)
Total current assets	23,548	34,266
Total current liabilities	363,850	272,181
Total shareholders' equity	\$ 4,024,985	\$ 4,221,423

Selected Statement of Operations Data	For the years ended December 31,	
	2022	2021
Expenses		
Professional fees	\$ 44,724	\$ 26,328
General and administrative	\$ 192,608	\$ 139,089
Net loss and comprehensive loss	\$ (250,388)	\$ (398,105)
Loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	29,648,484	28,603,279

Net Income and Cash Flow from Operations

A comprehensive loss of \$250,388 resulted for the year ended December 31, 2022 as compared to a comprehensive loss of \$398,105 for the comparable period in 2021. This decrease primarily reflects a reduction in stock-based compensation.

General and Administrative (G&A)

G&A Expenses are comprised of the following:

	Years ended December 31,	
	2022	2021
Office and salary expenses	\$ 151,332	\$ 77,880
Professional fees	44,724	26,328
Regulatory and transfer agent fees	20,978	14,973
Consulting fees	12,000	46,236
Travel	8,298	-
	\$ 237,332	\$ 165,417

The increase in G&A expenses in 2022 as compared to 2021 is a result of a full year of salary related expenses and increased audit and tax related expenditures.

Mineral properties - exploration and evaluation expenditures

During the year ended December 31, 2020, the Corporation acquired mineral properties (in relation to the Corporation's QT Transaction) and during the year ended December 31, 2021 acquired two additional properties. Exploration programs to be conducted on those properties will result in increased costs going forward. The majority of the costs associated with exploration programs will be capitalized and will be included in mineral properties on the statements of financial position.

Capitalized exploration and evaluation expenditures for the year ended December 31, 2022 were \$225,237 (2021 - \$614,231) and are in addition to acquisition costs listed below.

The Corporation's exploration and evaluation expenditures relate to mineral properties in Chile and are as follows:

Balance, December 31, 2020	\$	3,753,795
Acquisition, Inca property		122,927
Lease and capital expenditures		614,231
Foreign exchange effect		(31,615)
Balance, December 31, 2021	\$	4,459,338
Acquisition, Inca property		263,831
Lease and capital expenditures		225,237
Foreign exchange effect		40,045
Balance, December 31, 2022	\$	4,988,451

Coba SW

The Corporation acquired 99% of the partnership interest of Compañía Recursos Andina Limitada ("Andina"), a limited liability company that holds a 100% interest in a gold, silver, copper and cobalt property in northern Chile, in exchange for the payment of US\$500,000 and the issuance of an aggregate 50,000,000 common shares of the Corporation at a deemed price of \$0.055 per share. Management determined that the acquisition of Andina did not meet the definition of a business in accordance with IFRS 3 Business Combinations as it did not have the inputs, processes and outputs required to meet the definition of a business. Accordingly, the acquisition has been accounted for as an asset acquisition.

Santa Gracia

Effective November 9, 2020, the Corporation signed an option agreement (the "Agreement") which provides the Corporation the ability to acquire a 90% undivided right, title and interest in the Santa Gracia property ("Santa Gracia"). The Corporation is entitled to earn the interest according to the following schedule:

- a) To earn an undivided fifty percent interest, the Corporation must:
 - i) Make a cash payment to the optionee totaling US \$100,000; and,
 - ii) Incur expenditures on the property totaling US\$500,000 during the period that is within 36 months following the execution of the Agreement.
- b) To earn an additional undivided twenty-five percent interest, the Corporation must incur additional expenditures on the Santa Gracia property of US\$500,000 on or before the 48th month anniversary of execution of the Agreement.
- c) To earn an additional undivided fifteen percent interest, the Corporation must incur additional expenditures on the Santa Gracia property of US\$1,000,000 on or before the 60th month anniversary of execution of the Agreement.

Inca

During the twelve months ended December 31, 2022 the Corporation announced that it had entered into an agreement to acquire a 100% unencumbered interest in the Inca property located in Maricunga Gold-Silver Belt of northern Chile (the "Inca Property").

The purchase agreement (the "Agreement") relates to 17 claim packages consisting of 2,941 hectares for a total purchase price of US \$6,150,000. The purchase price is payable in four equal payments of US\$100,000 with the first payable on signing of the Agreement and three additional payments every six months thereafter. Thereafter, three equal payments of US \$150,000 are payable every six months with a balloon payment of \$5,300,000 due on the 48th month following signing of the Agreement. The Corporation does not earn an interest in the Inca Property until the full purchase price of US \$6,150,000 has been paid and the Corporation may stop making payments towards the purchase price at any time whereafter the Corporation is not obligated to make any additional payments towards the purchase price.

During the year ended December 31, 2022, the second and third US\$100,000 payments were made toward the purchase price.

As at December 31, 2022, the Corporation's property portfolio in Chile consisted of approximately 29,603 hectares of exploration and exploitation claims.

Mineral Property Expenditure

There are no minimum work or expenditure commitments for the Chilean Mineral Properties other than described above for individual projects. The Corporation is required to make annual claim payments of approximately US\$1.50/hectare to the Chilean government in relation to exploration concessions and approximately US\$ 7.50/hectare in relation to exploitation claims. These payments are made throughout the year and fluctuate with the number of claims (hectares). During the year ended December 31, 2022, \$102,417 (2021 - \$100,747) in claim payments were made to the Chilean government.

The Corporation has reviewed its mineral properties for impairment indicators as at December 31, 2022 and determined there were no indicators of impairment.

SHARE CAPITAL

Authorized

Unlimited number of voting Common Shares

Unlimited number of Preferred shares issuable in series

Issued Common Shares	Number of Shares	\$
As at December 31, 2020	27,898,484	4,565,587
Shares issued for cash	1,750,000	350,000
Fair value of unit warrants	-	(189,589)
Balance, December 31, 2021 and 2022	29,648,484	4,725,998

There was no change to share capital in 2022.

During the year ended December 31, 2021, the Corporation completed a private placement of 1,750,000 common shares at a price of \$0.20 for gross proceeds of \$350,000 (also see "Subsequent Events").

Share issue costs totalling \$189,589 are comprised of the fair value of the Warrants. Each Warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.35 per share for a period of two years (also see "Subsequent Events").

Warrants

The broker warrants issued in 2020 expired 12 months from the date of issuance.

The warrants issued in 2021 expire 24 months from the date of issuance and have 0.5 years remaining.

At December 31, 2022 the warrants outstanding are as follows:

Date of Issuance	October, 2020 Broker Warrants	August, 2021 Warrants
Exercise price	\$ 0.165	\$ 0.35
# of warrants issued	66,500	1,750,000
# of warrants exercised	-	-
# of warrants expired	(66,500)	-
Balance, December 31, 2022	-	1,750,000

There are 1,750,000 Warrants outstanding at December 31, 2022.

The fair value of the warrants has been estimated at the date of grant using the Black-Scholes option pricing model on the following assumptions:

	Broker warrants	Warrants
Dividend yield	0%	0%
Expected volatility	126%	88%
Risk-free interest rate	0.25%	0.48%
Forfeiture rate	0%	0%
Share price - issuance	\$ 0.21	\$ 0.27
Term	12 months	24 months
Fair value per warrant	\$ 0.1124	\$ 0.1086

Stock options

The Corporation has adopted an incentive stock option plan in accordance with the policies of the Exchange (the "Stock Option Plan") for the benefit of directors, officers, employees and other key personnel of the Corporation. A maximum of 10% of the issued and outstanding common shares of the Corporation are reserved for issuance pursuant to the Stock Option Plan.

The number of common shares reserved for issuance to any one person may not exceed five percent (5%) and for consultants shall not exceed two percent (2%) of the issued and outstanding common shares. The Stock Option Plan provides that the terms of the options and the option price shall be fixed by the directors subject to the price restrictions and other requirements imposed by Exchange policies. Stock options granted under the Stock Option Plan may not be exercisable for a period longer than ten (10) years and the exercise price must be paid in full upon exercise of the option.

A summary of the stock option plan and changes during the years then ended is as follows:

	December 31, 2022		December 31, 2021	
	# of Stock Options	Weighted Average Price	# of Stock Options	Weighted Average Price
Balance, beginning of year	1,932,666	\$ 0.23	1,683,333	\$ 0.23
Granted	-	\$ -	516,000	\$ 0.26
Expired	-	\$ -	(266,667)	\$ (0.30)
Exercised	-	\$ -	-	\$ -
Balance end of period	1,932,666	\$ 0.23	1,932,666	\$ 0.23

A summary of the stock options outstanding is as follows:

As at December 31, 2022					
Options Outstanding	Exercise Price	Weighted Average Remaining Contractual Life (years)	Exercisable Options	Expiry Date	
133,333	\$0.30	5.5	133,333	July 11, 2028	
1,283,333	\$0.21	2.8	1,283,333	October 2, 2025	
516,000	\$0.26	3.4	344,000	June 9, 2026	
1,932,666	\$0.23	3.1	7,760,666		

On June 9, 2021 the Corporation issued 516,000 stock options, at an exercise price of \$0.26 to directors of the Corporation, which vest equally as to one-third each year commencing on the date of grant. The stock options expire on June 9, 2026.

The fair value of stock options issued in 2021 was estimated at the date of grant using the Black-Scholes option pricing model using the following assumptions:

Date of Grant	June 9, 2021
Dividend yield	0%
Expected volatility	90%
Risk-free interest rate	0.97%
Forfeiture rate	0%
Share price - issuance	\$ 0.26
Term	5 years
Fair value per option	\$ 0.1808

Income (loss) per share

The basic and diluted loss per share as calculated is based on the weighted average number of shares outstanding during the year as follows:

	Years ended December 31,	
	2022	2021
Weighted average number of common shares		
Issued and outstanding at beginning of the period	29,648,484	27,898,484
Effect of issuance of shares	-	704,795
Weighted average number of common shares – basic	29,648,484	28,603,079

Escrowed Shares

- During the year ended December 31, 2020, 3,333,333 (post consolidation) shares were transferred from the CPC Escrow Agreement to a voluntary escrow agreement in connection with the QT Transaction (the "Voluntary Escrow Shares"). 5% of the Voluntary Escrow Shares were released on the issuance of the final bulletin issued by the Exchange (the "Final Bulletin") and the remaining shares will be released in increments of 5%, 10%, 10%, 15%, 15% and 40% on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.
- Also in connection with the QT Transaction and pursuant to a Surplus Security Escrow Agreement, an additional 21,054,546 (post consolidation) shares were placed escrow to be released from escrow in stages over a period of up to three years from the date of the Final Bulletin. 10% of the common shares held in escrow were released on the issuance of the Final Bulletin. The remaining shares will be released in increments of 5%, 10%, 10%, 15%, 15% and 40% on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

As at December 31, 2022 there are 13,413,297 shares in escrow. These shares are excluded from the weighted average shares outstanding calculation in the comparative period but included in the calculation after the Qualifying Transaction closed in October, 2021 as they are time based escrowed shares.

RELATED PARTY TRANSACTIONS

During the years ended December 31, 2022 and 2021, the Corporation incurred expenses with related parties which are included in the Consolidated Statements of Loss and Comprehensive Loss as follows:

For the years ended December 31,	2022	2021
Administrative and accounting services provided by an officer	\$ 12,000	\$ 20,125
Consulting fees provided by a company controlled by an officer	-	21,000
Legal fees paid to a firm whose partner is a director	\$ -	\$ 6,476

The above transactions were in the normal course of operations and were recorded at fair value.

The related party amounts included in the Consolidated Statements of Financial Position, are as follows:

As at December 31,	2022	2021
Due to an officer for administrative and accounting services (included in trade and other payables)	\$ 15,500	\$ 5,775
Consulting services provided by an officer in Chile (included in Mineral Properties)	81,239	75,934
Due to an officer for consulting services (included in trade and other payables)	89,382	22,886
Due to a law firm whose partner is a director	5,873	5,873
Due to a director in Canada	\$ 623,163	\$ 118,700

There is no consulting contract in place or an agreed upon fixed monthly amount for the consulting fees paid to the officer in Canada for accounting services provided.

There is no contract for the consulting fees paid to the officer in Chile for services provided. The fees are paid to a company in Chile controlled by the officer.

SELECTED QUARTERLY INFORMATION

Fiscal Quarter Ended	December, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Revenue	\$ -	\$ -	\$ -	\$ -
Comprehensive loss	\$ (19,509)	\$ (43,521)	\$ (221,105)	\$ (5,270)
Net loss per share (weighted average)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

Fiscal Quarter Ended	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue	\$ -	\$ -	\$ -	\$ -
Comprehensive loss (<i>restated</i>)	\$ (398,105)	\$ (212,704)	\$ (78,336)	\$ (66,050)
Net loss per share (weighted average)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.00)

The larger net loss in the second quarter of 2022 was largely due to an unrealized loss on foreign exchange.

The increase in the loss for the third and fourth quarters of 2021 is primarily due to the increase in salaries and office costs after commencement of operations and due to share-based compensation from the grant of stock options.

CASH FLOW

For the twelve months year ended December 31, 2022 the Corporation's cash decreased \$13,394 (2021 – \$431,084). The decrease in cash resulted from cash used in operations of \$58,490 and cash used in investing activities of \$446,472. Cash was provided by a director who loaned the Corporation \$504,463 in 2022.

The cash spent on investing activities is related to the exploration program on the mineral properties and for the acquisition of the Inca property.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Other than the option agreement related to the Santa Gracia Property and the purchase agreement relating to the Inca Property, the Corporation is not a party to any industry contracts or obligations and there are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

There are no critical or material accounting estimates.

Liquidity and Capital Resources

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Corporation had a cash balance of \$18,632 to settle liabilities of \$363,850. The Corporation must secure sufficient funding to fund operations and due to the nature of the mining industry, additional financing will be required to advance its exploration program. Management will seek additional forms of financing through the issuance of new equity or debt instruments to continue its operations.

Critical Accounting Estimates and Policies

The Corporation's significant accounting policies and the adoption of new accounting policies are disclosed in the Audited Statements

Financial Instruments and Other Instruments

The Corporation's financial instruments consist of cash and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values, as applicable.

BUSINESS RISKS

Mining Industry Risks

The exploration for and development of mineral deposits involves a high degree of risk that even a combination of careful evaluation, experience, knowledge and sufficient financial resources may not eliminate. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit such as size, grade and proximity to infrastructure; commodity prices which are inherently cyclical and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The effect of these factors cannot be accurately predicted and the combination of these factors may result in not receiving an adequate return on invested capital.

Properties Without Known Mineable Reserves

The Corporation's activities will continue to be directed towards the search for, evaluation of, and development of mineral deposits. There is no assurance that expenditures associated with those activities will result in securing commercial mineral deposits and actual expenditures may be higher than currently anticipated.

Uncertainty as to Calculations of Mineral Deposit Estimates

There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates. Until the mineral is actually mined and processed, mineral deposit estimates, grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or grade information will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in grades, stripping ratios or other mining and processing factors may affect the economic viability of projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

Uninsurable Risks

The Corporation may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce the funds available for development and mining activities. Payment of liabilities for which the Corporation does not carry insurance may have a material adverse effect on the Corporation's financial position.

Currency

Currency fluctuations may materially affect the financial position and results of the Corporation. The Corporation does not intend to engage in currency hedging to offset currency fluctuations risks.

Governmental Regulation of the Mining Industry

The mineral development or exploration activities of the Corporation are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment. Although the Corporation believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Corporation or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

Exploration and Development Risks

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover deposits but also from finding deposits that, though present, are insufficient in quantity and quality to return a profit from production.

The marketability of resources or reserves acquired or discovered by the Corporation may be affected by numerous factors which are beyond its control and which cannot be accurately predicted; such as market fluctuations, the proximity and capacity of facilities, commodity markets, processing equipment availability and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in the Corporation not receiving an adequate return of investment capital.

There is no assurance that the Corporation's mineral exploration and development activities will result in any discoveries or acquisitions of commercial bodies of minerals. The long-term profitability of the Corporation's operations will in part be directly related to the costs and success of its development efforts which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery or acquisition of a deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

If the Corporation loses or abandons its interest in its properties, there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the Exchange. There is also no guarantee that the Exchange will approve the acquisition of any additional properties by the Corporation, whether by way of option or otherwise, should the Corporation wish to acquire additional properties.

The business of exploration and development of minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines and there is no guarantee that the Corporation's new projects will become producing mines.

Insurance

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

Permits and Licenses

The future operations of the Corporation may require permits from various governmental authorities and will be governed by laws and regulations governing prospecting, development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There can be no guarantee that the Corporation will be able to obtain all necessary permits and approvals that may be required to undertake development activity or commence construction or operation of mine facilities on the Corporation's properties.

Environmental Legislation

Environmental laws and regulations may affect the operations of the Corporation. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or non-compliance with environmental laws or regulations.

In all major developments, the Corporation generally relies on recognized designers and development contractors, from which the Corporation will, in the first instance, seek indemnities. The Corporation intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions hereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Corporation, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Title to Properties

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Corporation believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Corporation's interests.

Market Prices

If the Corporation seeks to bring a property to production, the profitability of its operations will be dependent in part upon the market price of the minerals. Mineral prices fluctuate widely and are affected by numerous factors beyond its control. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities, and exchange rate stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Corporation's business, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases and the Corporation will compete with many companies possessing greater financial and technical resources than itself. Competition in the mining industry is primarily for: mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and, the capital for the purpose of funding such properties. Many competitors not only explore for and mine minerals, but conduct refining and marketing operations on a world-wide basis. Such competition may result in the Corporation being unable to acquire desired properties (due to the auction process involved in property acquisition), to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Corporation's prospects for mineral exploration and success in the future.

Additional Financing

The exploration and development of the Corporation's properties, including continuing exploration and development projects, and the construction of mining facilities and the commencement of mining operations, will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration development or production on any or all of the Corporation's properties or even a loss of a property interest. Sources of funds now available to the Corporation are limited and may include the sale of equity capital, properties, royalty interests, the entering into of future joint ventures and the exercise of outstanding options and warrants. Additional financing may not be available when needed or, even, if available, the terms of such financing might not be favourable to the Corporation and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Corporation's business, financial condition and results of operations.

Competition for Key Personnel

The Corporation will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Corporation. The Corporation's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. The Corporation faces intense competition for qualified personnel and there can be no assurance that it will be able to attract and retain such personnel.

Possible Volatility of Stock Price

The market price of the Corporation's common shares will be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Corporation's consolidated results of operations, changes in financial estimates by securities analysts, general market consolidated and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the Corporation's common shares. Factors such as the price of minerals, announcements by competitors, and changes in stock market analyst recommendations regarding the Corporation, and general market conditions and attitudes affecting other exploration and mining companies may also have a significant effect on the market price of the Corporation's common shares. Moreover, it is likely that during future quarterly periods, the Corporation's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the Corporation's common shares could be materially adversely affected.

In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Corporation, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Ability to Manage Growth

The size of the Corporation's business and assets is expected to grow in the coming years. In order to effectively deploy its capital and manage its growth, the Corporation will need to retain additional personnel and augment, improve or replace existing systems and controls. As a result, there can be no assurances that the Corporation will be able to effectively manage its growth and, if it is unable to do so, its business, financial conditions and results could be adversely affected.

Ability to Sell Securities

Securities of the Corporation may be subject to resale restrictions under applicable securities legislation. Accordingly, there may be a long time period between the date of purchase of securities and the date that a shareholder is able to sell these securities. In this time, the market price of the Corporation's securities will vary. Additionally, there may be limited liquidity in the market for such securities. As such, there is no assurance that the market price at which a shareholder is able to sell any will equal or exceed the price at which the securities were originally issued by the Corporation.

Acquisition Risk

As part of the Corporation's business strategy, it may seek to grow by acquiring businesses that it believes will complement its current business. The Corporation may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel into its business. The Corporation cannot guarantee that it can complete any acquisition it pursues on favourable terms, or that any completed acquisitions will ultimately benefit its business and results of operations.

The risks inherent with acquisitions include the risks associated with the integration of acquired operations, diversion of management's attention and potential loss of key employees. The Corporation may not be able to successfully integrate products, technologies or personnel of a business acquired in the future. Such failures could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

Dividends

To date, the Corporation has not paid any dividends on their outstanding shares and does not expect to do so in the foreseeable future. Any decision to pay dividends on the Corporation's common shares will be made by the Board of Directors of the Corporation on the basis of earnings, financial requirements and other conditions.

Conflicts of Interest

Certain of the directors and officers of the Corporation are engaged in, and will continue to be engaged in, other business activities on their own behalf and on behalf of other companies. As a result of these and other activities, such directors and officers of the Corporation may become subject to conflicts of interest. The Business Corporations Act (Alberta) ("ABCA") provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

Other Risks

The Corporation also faces a number of other risk factors that are outside of its control, generally, including, without limitation, natural disasters, general economic and other conditions.

Subsequent Events

Subsequent to the year end, the Corporation closed a private placement of convertible debentures in the amount of \$650,000. The Debentures carry interest at a rate of 7% per annum, and mature two years from the date of issue. The Debentures may be convertible by the holders at any time prior to maturity into common shares of the Corporation at a conversion price of \$0.06 per Common Share if converted within one year of issue or at a conversion price of \$0.10 per Common Share if converted thereafter.

CORPORATE INFORMATION

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