

SAN LORENZO GOLD CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") for San Lorenzo Gold Corp. ("San Lorenzo" or the "Corporation") is a review of how the Corporation performed during the period covered by the audited consolidated financial statements for the periods ending December 31, 2021 and 2020 ("Audited Statements") up to the effective date of this MD&A and includes a discussion of the Corporation's financial condition and future prospects. This MD&A complements and supplements the Audited Statements and should be read in conjunction with the Audited Statements and the related notes thereto. The Audited Statements have been prepared in Canadian dollars 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.

The Corporation's Board of Directors has reviewed and approved the Audited Statements and this MD&A, both of which are effective April 28, 2022.

Certain information presented in this MD&A constitutes forward looking information that is subject to substantial risks and uncertainties. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions have been used to describe these forward-looking statements. By their nature, forward-looking statements necessarily involve risks associated with the provision of services such as loss of market, lack of qualified personnel, impact of the regulatory environment, and competition from other companies providing similar services. Readers are cautioned that the assumptions used in the preparation of forward-looking information and statements, although considered reasonable at the time may prove to be imprecise. As such, undue reliance should not be placed on forward-looking statements. A number of factors, many of which are beyond the control of San Lorenzo, may affect the actual performance of San Lorenzo and actual results may differ from those expressed or implied by such forward looking information. Accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will occur, or if they do occur, what benefit San Lorenzo will derive from them. Readers are cautioned not to place undue reliance on these forward-looking statements.

Comparative period

Unless otherwise stated, the comparative period used in this MD&A is the period January 1, 2020 to December 31, 2020.

DESCRIPTION OF BUSINESS

San Lorenzo Gold Corp. was formed by the amalgamation of Tailwind Capital Corporation, a capital pool corporation, and Kairos Metals Corp., a private, reporting issuer exploration company with two mineral exploration properties in Chile, on December 16, 2020. The Corporation was incorporated pursuant to the provisions of the Business Corporations Act (*Alberta*). San Lorenzo is an exploration company whose principal business is the acquisition and development of mineral properties in Chile. Terry Walker, Vice President of Exploration, P.Geol., acts as the Corporation's "Qualified Person" as defined in National Instrument 43-101 and has reviewed the technical disclosure in this MD&A.

OVERALL PERFORMANCE AND OUTLOOK

During the period under review, the Corporation:

1. commenced exploration on its Salvadora property (the "Property") which is being explored for large scale copper-gold porphyry targets and high-grade epithermal gold-silver-copper vein systems
 - a. completed a property wide airborne Magnetometer geophysical survey which outlined key structures and phases of intrusive activity;
 - b. completed an 86-line kilometre Induced Polarization ("IP") geophysical survey which followed up on positive results from previous limited IP surveys and covered untested portions of the Property - the 2021 IP survey expanded the strong annular chargeability anomaly at the central portion of the Property to approximately six square kilometres and delineated a new chargeability anomaly along the gold bearing Arco de Oro trend;
 - c. received official notification of acceptance from the Chilean government of the Corporation's planned diamond drilling program at Salvadora.
2. acquired Punta Alta, a 2000-hectare property which is prospective for copper – gold porphyry and related disseminated and vein style copper-gold-silver-cobalt mineralization and commenced exploration;
 - a. a reconnaissance program consisted of mapping and sampling including rock, soils and stream sediments – grab samples from the program returned up to 33.5 g/t gold and 2.1% copper;
3. Extended the maturity on a C\$1.0 million note from November 30, 2021 to November 20, 2022.

SELECTED FINANCIAL INFORMATION

The following summarizes information derived from the Corporation's financial statements as at and for the periods ended December 31:

	2021	2020	2019
Net comprehensive income (loss)	\$ (684,424)	\$ (1,520,658)	\$ (907,169)
Basic and diluted income (loss) per share	\$ (0.01)	\$ (0.16)	\$ (0.42)
Total assets	\$ 3,038,135	\$ 4,223,651	\$ 3,372,058
Share capital	\$ 3,262,895	\$ 3,190,395	\$ 1,045
Number of common shares outstanding	48,756,245	10,146,428	2,000,000

OPERATIONAL REVIEW

Net Income and Cash Flow from Operations

A comprehensive loss of \$684,424 (\$0.01 loss per share) resulted for the period ended December 31, 2021. The two material non-cash expenses recorded this year were the stock-based compensation of \$492,085 and the extension of the loan payable of \$25,588.

A comprehensive loss of \$1,520,658 (\$0.16 loss per share) resulted for the period ended December 31, 2020. The unrealized loss on foreign exchange of \$548,584 (2019 - \$60,378) resulted from the conversion of US Dollar denominated debt and the interest expense of \$32,808 (2019 - \$74,145) is the interest recorded on the notes payable converted into US Dollars.

The fair value adjustment made in 2019 on notes payable resulted in accretion expense in 2020 of \$172,901 (2019 - \$558,178).

General and Administrative

During the year ended December 31, 2021, the general and administrative ("G&A") expense of \$543,004 was comprised primarily of professional fees of \$161,864 in Chile and \$138,199 in Canada. Marketing fees cost \$115,300 and \$46,066 were spent on the OTC Markets Group listing in the United States. Additional general and administrative expenses totaled \$81,575.

During the year ended December 31, 2020, the general and administrative ("G&A") expense of \$362,535 (2019 - \$141,364) was comprised primarily of professional fees of \$120,997 in Chile and \$241,538 of general office expenses in Canada and Chile.

Financial Resources and Liquidity

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation received net proceeds of \$1,504,998 from the private placement, which was completed in December 2020, which was combined with cash on hand of \$223,812. This provided the Corporation with sufficient funds to meet G&A obligations and planned exploration expenditures. In due course however, additional funds will be required to fund continued exploration efforts.

Cash Flow

For the year ended December 31, 2021 the Corporation's cash was \$690,355. The \$1.04 million of expenditures during the year comprised of \$709,596 on operational and general administrative costs; additions to mineral properties accounted for \$371,813 and the remaining balance of \$120,904 related to changes in non-cash working capital.

For the year ended December 31, 2020 the Corporation's cash increased to \$1,728,810. The increase in cash resulted from cash provided by financing activities of \$1,723,357 and cash acquired by investing activities of 731,267 which exceeded the funds used in operations of \$626,490 and property maintenance fees on its mineral properties of \$99,324.

Mineral properties - exploration and evaluation expenditures

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

-\$ Cdn -	
Balance, December 31, 2019	3,318,539
Additions	99,324
Foreign exchange effect	(34,118)
Re-transferred mineral claims	(1,056,320)
Balance, December 31, 2020	2,327,425
Additions	371,813
Foreign exchange effect	(373,817)
Balance, December 31, 2021	2,325,421

Mineral Property Description

At year end, the Corporation held a 100% interest in 11,996 hectares of mineral claims through its Chilean subsidiary, Compania Minera San Lorenzo Limitada, which are comprised of three discrete property packages with exploration potential to discover deposits of copper-gold and gold-silver.

Mineral Property Expenditure Commitments

The mineral properties do not require any minimum work or expenditure commitments. The Corporation is obligated to make annual payments of approximately US\$1.50/hectare on its exploration claims and approximately US\$7.50/hectare on its exploitation concessions to the Chilean government. The amounts are approximate due to Chilean peso exchange rate fluctuations.

Notes Payable

	December 31, 2021	December 31, 2020
Note payable to LITH	\$ 1,000,000	\$ 1,000,000
Loan extension costs	(72,500)	-
Accretion	25,588	-
Balance, end of year	\$ 953,088	\$ 1,000,000

The notes payable is allocated as follows:

	December 31, 2021	December 31, 2020
Current	1,000,000	1,000,000
Long-term	-	-
Total	1,000,000	1,000,000

The face value of the original notes payable to LITH of \$1,564,000 (US\$1,150,000) and to Compania Minera Kairos Chile Limitada ("Minera Kairos") of \$2,188,302 (US\$1,600,000) were due two years from the date of issuance, being May 16 and May 8, 2018, respectively, and were unsecured.

During the year ended December 31, 2018, Kairos Metals (predecessor entity to the Corporation) was a wholly-owned subsidiary of Lithium Chile Inc. ("LITH") and at a meeting of the shareholders of LITH held on April 27, 2018, the LITH shareholders approved a plan of arrangement (the "Arrangement") under Section 193 of the *Business Corporations Act* (Alberta) involving the distribution of common shares of Kairos Metals (the "Kairos Shares"), to the LITH shareholders during the year ended December 31, 2018. The following transactions occurred and were part of a series of transactions related to the Arrangement:

- i) Kairos acquired 99% of the outstanding partnership interests in Compañía Minera San Lorenzo Limitada ("San Lorenzo") from Minera Kairos", a wholly-owned subsidiary of LITH.
- ii) Minera Kairos transferred its interests in its copper, gold and silver properties ("CGS claims") in Chile to San Lorenzo at their carrying cost of US\$1.6 million in exchange for a promissory note.

During the year ended December 31, 2020, an agreement was entered into between Kairos Metals and LITH to transfer certain gold, silver and copper properties (the "Retransferred Mineral Claims"), having a carrying value of \$1,056,320, from San Lorenzo back to Minera Kairos (the "Retransfer Agreement") such that the values and terms of the notes payable were adjusted as follows:

- iii) The Minera Kairos note payable, with the original face value of US\$1,600,000 together with accrued interest of US\$62,334, was satisfied in exchange for the Retransferred Mineral Claims.
- iv) The LITH note payable was renegotiated from US\$1,115,000, plus interest, to CAD\$1,000,000 with the repayment term extended from May 16, 2020 to November 30, 2021.

On June 30, 2021 the LITH note payable was amended to extend the maturity date from November 30, 2021 to November 30, 2022. In consideration for the extension of the maturity date, the Corporation issued 500,000 common shares to LITH. The shares were subject to a hold period expiring four months and one day from the date of their issuance.

Both the Arrangement and the Retransfer Agreement is also considered a common control transaction and as such, the gain realized from the re-transfer of mineral properties was charged to contributed surplus.

SHARE CAPITAL

a) Authorized:

Unlimited number of common voting shares and preferred shares without nominal or par value.

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. No preferred shares have been issued since the Corporation's inception.

b) Issued:

Common Shares	Number of Shares	-\$ Cdn -
Balance, December 31, 2019 and 2018	25,266,704	1,045
Tailwind common shares outstanding prior to RTO	8,000,000	404,044
Shares issued for debt settlement	2,857,143	300,000
Private Placement	22,599,282	1,581,960
Effect the Amalgamation Agreement	(10,199,761)	1,018,308
Share issue costs	-	(114,962)
Balance, December 31, 2020	48,523,368	3,190,395
Shares issued for debt extension	500,000	72,500
Balance, December 31, 2021	49,023,368	3,262,895

Share issue costs relating to the private placement include cash paid of \$76,962 and \$38,000 being the fair value of brokers' warrants. Each broker warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.07 per common share, expiring twelve months from the date of issuance. At December 31, 2021, there are no outstanding brokers' warrants.

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:

December 16, 2020	
Dividend yield	0%
Expected volatility	126%
Risk-free interest rate	0.24%
Forfeiture rate	0%
Share price - issuance	\$ 0.07
Term	12 months

c) **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:

	2021	2020
Issued and outstanding at beginning of the year	48,523,368	8,000,000
Weighted issuance of July 14, 2021 shares	232,877	2,146,428
Balance, December 31, 2021	48,756,245	10,146,428

d) **Escrow Shares**

At the date of close of the Corporation's "Qualifying Transaction", the Company had 3,999,998 common shares subject to CPC Escrow Agreement ("CPC Escrow") and 8,168,893 common shares subject to a Tier 2 Value Security Escrow Agreement ("Security Escrow"). In relation to the CPC Escrow agreement, 10% of the shares or 399,400 shares were released on the date of the final exchange bulletin issued in by the TSX Venture Exchange ("Exchange") relation to the Qualifying Transaction (the "Final Exchange Bulletin") with 15% to be released on each six-month anniversary from the date of the Final Exchange Bulletin. In relation to the Security Escrow, 10% of the shares or 816,889 common shares, were released on the date of the Final Exchange Bulletin with 15% to be released on each six-month anniversary from the date of the Final Exchange Bulletin.

At December 31, 2021, there were 10,952,002 shares held in escrow.

e) **Stock Options**

The Corporation has adopted an incentive stock option plan which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase common shares ("Common Shares"), provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares (the "Option Plan"). However, other than in connection with a Qualifying Transaction, during the time that the Corporation is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Corporation that are issued and outstanding at the closing of the Corporation's initial public offering. Such options may be exercisable for a period of up to ten years from the date of grant and will vest in accordance with the terms of their grant.

<i>Directors options</i>	(#)	Weighted average exercise price (\$)	Remaining life (years)
As at December 31, 2019	8000,000	0.10	8.38
Conversion impact (Note 4)	(266,667)	-	-
As at December 31, 2020	533,333	0.02	6.38
Granted January 21, 2021	3,150,000	0.11	9.06
Granted May 15, 2021	355,000	0.02	1.37
Granted June 21, 2021	400,000	-	-
Cancelled October 6, 2021	(200,000)	-	-
Granted October 14, 2021	500,000	0.01	1.79
Cancelled December 22, 2021	(200,000)	-	-
As at December 31, 2021	4,538,333	0.16	-

Share based compensation recognized during the year ended December 31, 2021 was \$492,085 (2020 - nil) using the graded vesting method in the consolidated statement of loss and comprehensive loss.

The fair value of the stock options issued during the year ended December 31, 2021 of \$604,509 (2020 - nil) have been estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions:

	January 21, 2021	May 18, 2021	June 21, 2021	October 14, 2021
Dividend yield	0	0	0	0
Share price	0.16	0.25	0.16	0.085
Strike price	0.16	0.25	0.18	0.12
Expected volatility	130%	130%	129%	125%
Risk free rate	0.17%	0.32%	0.44%	0.63%
Expected life (years)	10	2	2	2
Forfeiture rate	0	0	0	0

As the Corporation does not have a trading history equal to the expected life of the stock options, volatility was determined by an analysis of comparable companies.

SELECTED QUARTERLY INFORMATION

Fiscal Quarter Ended	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue	\$ -	\$ -	\$ -	\$ -
Comprehensive gain (loss)	\$ (135,016)	\$ (381,035)	\$ 41,638	\$ (210,011)
Net loss per share	\$ (0.02)	\$ (0.01)	\$ 0.00	\$ (0.00)

Fiscal Quarter Ended	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenue	\$ 1,729	\$ 1,710	\$ 2,648	\$ -
Comprehensive gain (loss)	\$ (1,399,319)	\$ (14,680)	\$ 601,178	\$ (707,837)
Net loss per share	\$ (0.16)	\$ (0.00)	\$ 0.02	\$ (0.03)

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

San Lorenzo 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.

Adopted Accounting Standards

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019. The Corporation is still assessing this standard.

SUBSEQUENT EVENTS

On March 10, 2022, the Corporation commenced plans to complete a non-brokered private placement of up to 10,000,000 units of the Corporation ("Units") at a price of \$0.10 per Unit, for aggregate gross proceeds of up to \$1,000,000. (the "Offering"). There is no minimum Offering. Each Unit will be comprised of one (1) common share of the Corporation ("Common Share") and one Common Share purchase warrant ("Warrant"). Each full Warrant shall be exercisable at \$0.20 per Common Share for a period of 12 months from the date of closing of the Offering. The Corporation may pay a cash commission or finder's fee to qualified non-related parties of up to 7% of the gross proceeds of the Offering payable in cash together with warrants representing 7% of the common shares issued in connection with the Offering ("Broker Warrants"). Each Broker Warrant will entitle the holder to purchase one additional common share of the Corporation at a price of \$0.10 for a period of 12 months following closing of the Offering. The proceeds of the Offering will be used for working capital including the costs for the Corporation's drilling program at Salvadora and to pay the expenses of the Offering.

Completion of the Offering is subject to regulatory approval including, but not limited to, the approval of the TSX Venture Exchange. The Common Shares and Warrants issued under the Offering will be subject to a four month hold period from the date of the closing of the Offering.

On March 11, 2022, the Corporation completed a first tranche closing (the "First Tranche Closing") of the Offering. The First Tranche Closing yielded gross and net proceeds of \$400,000 which involved the issuance of 4,000,000 common shares and 4,000,000 warrants. Each warrant entitles the holder to purchase one additional common share of the Corporation at a price of \$0.20 until March 11, 2023 – being 12 months from closing. No finder's fees, commissions or broker warrants were paid or issued in respect of the First Tranche Closing.

The Corporation also granted of 580,000 options at a price of \$0.10 per share to officers, directors and other key personnel of the Corporation ("Options"). The Options will be for a term of 10 years from the date of grant and will vest as to one third on the date of grant and one third on each of the first and second anniversaries of grant.

On March 31, 2022, the Corporation announced that it has completed a second tranche closing (the "Second Tranche Closing") of its recently announced private placement of units of the Corporation ("Units") at a price of \$0.10 per Unit, and due to strong investor demand, it has increased the maximum size of the private placement from 10,000,000 Units for aggregate gross proceeds of \$1,000,000 to 15,000,000 Units for gross proceeds of \$1,500,000 (the "Offering"). Each Unit is comprised of one (1) common share of the Corporation ("Common Share") and one (1) Common Share purchase warrant ("Warrant"). Each Warrant is exercisable at \$0.20 per Common Share for a period of 12 months from the date of issuance. The Second Tranche Closing yielded gross proceeds of \$720,000 which involved the issuance of 7,200,000 Units comprised of 7,200,000 Common Shares and 7,200,000 Warrants. Finder's fees in the aggregate amount of \$49,000 and 504,000 broker warrants ("Broker Warrants") were paid and issued in respect of the Second Tranche Closing. Each Broker Warrant entitles the holder to acquire one Common Share at a price of \$0.10 per Broker Warrant for a period of 12 months from the date of issuance. Proceeds from the Second Tranche Closing will be used for working capital purposes including the costs for the drilling program at the Corporation's Salvadora property and to pay the expenses associated with the Offering. Unless the Corporation determines to further increase the gross proceeds of the Offering, if additional subscriptions received for the Offering based on all available exemptions exceed the remaining Offering amount of \$380,000, Units will be allocated on a first come, first served basis.

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 San Lorenzo. San Lorenzo 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 San Lorenzo 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 San Lorenzo 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 the control of San Lorenzo 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 San Lorenzo not receiving an adequate return of investment capital.

There is no assurance that San Lorenzo' mineral exploration and development activities will result in any discoveries or acquisitions of commercial bodies of minerals. The long-term profitability of San Lorenzo 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 San Lorenzo 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 San Lorenzo, whether by way of option or otherwise, should San Lorenzo wish to acquire any 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 San Lorenzo' 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 San Lorenzo 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 San Lorenzo.

Permits and Licenses

The future operations of San Lorenzo 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 San Lorenzo 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 San Lorenzo' properties.

Environmental Legislation

Environmental laws and regulations may affect the operations of San Lorenzo. 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, San Lorenzo generally relies on recognized designers and development contractors, from which San Lorenzo will, in the first instance, seek indemnities. San Lorenzo 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 San Lorenzo 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 San Lorenzo 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 San Lorenzo 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 San Lorenzo' interests.

Market Prices

If San Lorenzo 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 the control of San Lorenzo. 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 San Lorenzo' business, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases and San Lorenzo 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 San Lorenzo 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 San Lorenzo' prospects for mineral exploration and success in the future.

Additional Financing

The exploration and development of San Lorenzo' 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 San Lorenzo' properties or even a loss of a property interest. Sources of funds now available to San Lorenzo 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 San Lorenzo and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on San Lorenzo' business, financial condition and results of operations.

Competition for Key Personnel

San Lorenzo will be dependent upon the 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 San Lorenzo. San Lorenzo' ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. San Lorenzo faces intense competition for qualified personnel and there can be no assurance

that San Lorenzo will be able to attract and retain such personnel.

Ability to Manage Growth

The size of San Lorenzo' business and assets are expected to grow in the coming years. In order to effectively deploy its capital and manage its growth, San Lorenzo will need to retain additional personnel and augment, improve or replace existing systems and controls. As a result, there can be no assurances that San Lorenzo 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.

Acquisition Risk

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

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. San Lorenzo may not be able to successfully integrate products, technologies or personnel of a business acquired in the future. Failure could have a Material Adverse Effect on the business, financial condition and results of operations of San Lorenzo.

Dividends

To date, San Lorenzo 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 San Lorenzo' Shares will be made by the Board of Directors of San Lorenzo on the basis of San Lorenzo' earnings, financial requirements and other conditions.

Conflicts of Interest

Certain of the directors and officers of San Lorenzo will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of San Lorenzo 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

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

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