SUR AMERICAN GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FINANCIAL PERIOD ENDED MARCH 31, 2006

Background

This discussion and analysis of financial position and results of operation is prepared as at May 26, 2006, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2005 and 2004, of Sur American Gold Corporation (the "Company") Those financial statements have been prepared in accordance with Canadian generally accepted accounting policies ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management and discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the activities of the Company can be found on SEDAR at www.sedar.com.

Company Overview

The Company is a junior mineral exploration company engaged in the exploration and development of precious and base metals in projects located in the Philippines and Colombia with the aim to developing them to a stage where they can be exploited economically. The Company is currently focusing its financial resources in conducting an exploration program for gold-silver and gold-copper-silver in its Comval and T'Boli Projects in the Philippines. As of the date of the MD&A, the Company has not earned any production revenue nor has found any proven reserves, but has successfully completed a long term trial mining and metallurgical test program. The program, which terminated in late October, 2005 confirmed that the gold mineralization at Batoto is likely to be able to be treated by a conventional CIP plant and/or by heap leaching.

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "SUR".

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Exploration Projects Update

T'boli Gold-Silver Project, South Cotabato, Philippines.

At T'boli TMC has an inferred resource of 2.6 million tons grading 5.5g/t gold and 21g/t silver which is National Policy 43-101 compliant.

No exploration work was conducted at T'boli during the period but exploration is expected to resume at T'boli during 2006 with the focus being on expanding and upgrading the existing inferred resource and conducting further exploration surrounding the known resource particularly at the Lam Asam area where extremely high silver (and gold) values are known to exist.

Comval Gold-Silver-Copper Project

Diamond drilling program

The Company through its Philippine affiliates Batoto Resources Corporation ("BRC") and Philco Mining Corporation ("PMC") has yet to establish any resources or reserves at its Comval project as an initial 12,000 metre, 50 hole program commenced in late September, 2005 is still in its early stages. Upon completion of the initial drilling program the Company may be in a position to commence a resource estimate.

Initial Drilling Program-Clark Area

The results of the first two holes were received during the period.

Batoto#1 drill hole (-50 degrees to an azimuth of 225 degrees) is located in the eastern portion of the East Batoto Zone. The hole intersected a mined out void between 14-18 metres which from prior mapping by the Company is known to be a grade system of quartz veins known as the Agrix workings. A high grade vein grading 36 g/t gold over a one metre interval was intersected at 101 metres and the final 18 metres of the hole averaged 0.47g/t gold. Sporadic narrow intervals of between 0.5-1g/t gold were intersected throughout most of the hole.

Batoto #2 drill hole (-50 degrees to an azimuth of 160 degrees**)** was drilled 200 metres to the west of Batoto #1 and intersected 5 wide intervals of leached and oxidized quartz-sericite-pyrite related gold mineralization totaling 68 metres and containing a weighted average grade of 0.83 g/t gold with a range from 0.69g/t to 1.13g/t. Grades such as these are typical of some of the largest bulk mineable gold operations in the world.

Significantly all the mineralization is still in the zone of leaching (depletion) and accordingly the Company believes that higher grades may be encountered as drilling progresses into the fresh, unoxidized rock. Indeed the deeper portions of Batoto #2 were higher grade than the upper zones.

BATOTO #2 DRILL RESULTS

Azimuth (degrees)	Declinatior (degrees)		From (m)	To (m)	Interval (m)	Grade (g/t gold)
160	-50		10	105	95	0.63
		Incl.	10	24	14	0.76
		and	27	37	10	0.69
		and	43	67	24	0.78
		and	72	79	7	1.13
		and	92	105	13	0.95

Little or no waste rock is present at Batoto and the mineralization encountered to date is largely oxidized with excellent metallurgy and appears suited to extraction by either CIP or heap leaching.

Even though the hole was not drilled at the optimum angle to test the entire 250-300 metre wide Clark Zone the results are particularly encouraging.

Significantly, from the point of a potential large size deposit the gold mineralization in Batoto #2 is particularly evenly distributed with the highest assay of 2.8 g/t gold and more than 75% of the individual one metre intersections contain gold grades greater than 0.3gold.

The hole penetrated a total of 95 metres of well mineralized diorite from 10-105 metres until a fault terminated the mineralization. Even though further zones were expected deeper the Company decided to complete the hole and commence Batoto #3 150 metres to the south.

The Clark Zone is only one of several large mineralized zones within the area of East Batoto in which alteration and gold mineralization occurs over an area of at least 1000m by 1000m.

Exploration Trenching

Substantial advances in the understanding of the geology of the area around the Clark adit where the current 12,000 metre drilling program is taking place has occurred as a result of the excavation of three long trenches spaced at 100 metre intervals over the initial drilling area.

Trenches 1 and 3 are still in progress as a result of thick overburden development, with trenches as much as 3 to 4 meters deep, requiring timber support. Trench 2, located 50m north of the central Clarke adit, is being extended 20m to the west where further moderate to strong stockwork quartz – sericite – goethite veining has been exposed in a strongly sheared, diorite intrusive body with from 10vol% to 20vol% veins and veinlets.

The bedrock exposed in the trenches comprises an intensely weathered limonite – goethite stained saprolite cross cut by a complex shear array of veins varying from 6vol% to 25vol% quartz.

Given the extent of weathering, there is very little doubt that strong surface leaching of gold has occurred in this topographic and climatic regime. This supposition is lent strong support by the substantially higher channel sample results obtained in the subjacent Clark adit, located some 30-40m below surface which returned slightly less than 2g/t gold over its entire 123 metre length.

The completed 62m of trench 2 has been mapped at a scale of 1:100 and channel sampled on the north wall at 2m intervals across the geologic strike. Assay results returned demonstrate remarkable consistency, returning a total mineralized width of 62m at 0.384 g/t Au. The lowest assay value was 0.033 g/t Au and the highest 0.766 g/t with most values falling between 0.2 and 0.5 g/t Au.

These grades are very similar to surface channels samples taken earlier in the year at the Santa Fe area at West Batoto over long intervals.

Trench No 1 excavated 100m north of Trench No 2 (also E – W) has been excavated over a length of 40m. A further 40m is being excavated to the east. The initial 40m has been geologically mapped at a scale of 1: 100 and is currently being channel sampled on the north wall.

Trench No 3 is now 30m long excavated east – west 100m south of Trench No 2 in the Clark area. It is being extended 50m to the east. Stockwork quartz – sericite – pyrite (goethite) veining has been exposed in bedrock similar or identical to that exposed in trenches number 1 and 2. As a result of the impressive quartz veining encountered to date a fourth trench is now underway 100 metres to the south of Trench number 3.

Sample Preparation and Analysis

As the Company intensifies the exploration effort at the Batoto prospect heading into 2006, the need for an internationally recognized sample preparation facility at the exploration site has been recognized.

Accordingly the Company has approached the world class GENALYSIS Laboratory Ltd whose headquarters are located in Perth, Western Australia to finalize an agreement to establish an on site sample preparation facility according to their specifications in respect of layout, establishment and equipment, with all samples being dispatched to the Perth facility for final analysis by fire assay with AAS finish.

It is hoped that this facility will be installed and commissioned at the site of field operations at Comval by the second quarter of 2006.

In the meantime all sample preparation is being undertaken at the Laboratories of Intertek Ltd in Surigao, Northern Mindanao.

Geophysical Program

West Batoto

The large induced polarization/resisitivity geophysical program being undertaken over the West Batoto Zone has now completed 70 line km and is about 70% complete. Following the completion of this program and the subsequent magnetic survey and a complete review of the modeled results planning of further drill sites will be undertaken. The geophysical program is being undertaken under the supervision of Elliot Geophysics International Ltd headed by Dr. Peter Elliot MSc. PhD. M.AusIMM.

In March, 2006 the Company announced the discovery of a near surface major and intense induced polarization (IP) geophysical anomaly at its Batoto Gold Project in Eastern Mindanao, Philippines. A strong magnetic anomaly appears to surround the IP anomaly.

Strong IP anomalies in the Philippines and elsewhere invariably indicate a high sulphide content either as pyrite (iron sulphide) and/or chalcopyrite/bornite (copper iron sulphides) whilst a high magnetite content usually indicates hydrothermal magnetite which is often associated with elevated gold values with perhaps one of the best example being Freeport's Grasberg copper-gold porphyry deposit in Irian Jaya, Indonesia.

This IP/magnetite association also exists at the Company's Tagpura and Ma-angob copper-gold deposits 4km to the southeast of Batoto both of which have many similarities to Phelps Dodge's Candelaria copper-gold project in Chile.

The new discovery is located about 2400 metres to the SW of where the Company is undertaking an initial 12,000 metre, 50 hole core drilling program at East Batoto.

The anomaly extends at least 700 metres in an E-W direction and 800 metres in a north-south direction and is open to the west, southwest, south and perhaps southeast.

The survey also indicates that it extends to at least 500 metres in depth which is the limit of penetration by the survey and is therefore likely to extend deeper.

The current geophysical survey which is very large by world standards commenced in August 2005 and followed another similar sized geophysical program undertaken by the Company in 2004 to the north of Batoto. The 2004 survey was also successful and was highlighted by the discovery of one large induced polarization anomaly and several smaller anomalies. These have yet to be drill tested.

The on-going IP and magnetic surveys which are particularly detailed are being undertaken on a line spacing of only 100 metres which will greatly assist in the accurate selection of drill targets.

As a result of the discovery of the anomaly, the geophysical team under the supervision of Dr Peter Elliot (MSc. PhD, M.Aus.IMM) principal of Elliot Geophysics International Pty. Ltd is now concentrating on defining the full extent of the anomaly so that planning can proceed for further evaluation by geological mapping, trenching, sampling and initial drilling.

East Batoto

By contrast to the new anomaly in the West Batoto Zone the gold mineralization at East Batoto is defined by much lower IP response, moderate magnetic readings and higher resistivity. The Company believes that the higher resistivity readings may indicate an increase in silica (quartz) concentrations in this area which certainly appears to being borne out by deeper drilling now taking place.

This is consistent with what has been observed to date in the numerous tunnels, trenches and drill cores at East Batoto where the gold mineralization is associated with a later intense alteration event which appears to have deposited silica and gold and minor sulphides. In addition the gold mineralizing event appears to have destroyed much of the original magnetite which is preserved in some of the less mineralized and altered zones.

Community, Environment and Feasibility Study

In order to achieve one of its corporate goals, a feasibility study for an initial small scale CIP plant at Comval was completed during the March quarter, 2005 and submitted to the Philippines Government.

In addition during the same period a Memorandum of Agreement ("MOA") granting "Free and Informed Prior Consent" ("FPIC") for mineral exploration, development and production at Comval has been signed with local Indigenous Peoples under the auspices of the National Commission on Indigenous Peoples ("NCIP"). The granting of the FPIC is an essential prerequisite to being granted permission to proceed to mining in the Philippines.

A draft Environmental Impact Study ("EIS") was completed in June, 2005 and submitted for comments to the Environmental Management Bureau ("EMB"). A field visit by the EMB and other Government agencies and local organizations was made in June. A revised EIS was undertaken in September-October, 2005 and a final inspection by the EMB team was undertaken in November, 2005.

Finally a Certificate of Precondition was granted to the Company's Philippine affiliates Philco Mining Corporation and Batoto Resources Corporation in March 2006.

Following a review of this final EIS it is expected that an ECC will be issued to Batoto Resources Corporation to be followed by an MPSA (Mineral Production Sharing Agreement).

The source of the mineralization for the small operation will be the numerous high grade gold veins within the Comval project, many of which have returned local grades in excess of 100g/t gold. Timing for construction will depend on the ability to identify sufficient resources to justify construction. The estimated cost of each operation has been estimated at approximately $Can 700,000, which will be provided by the treasury of the Company.

As stated above, whilst the high grade operation is an important objective and will assist the Company financially, the major corporate goal of the Company is to aggressively explore and delineate the ultimate extent of its gold-silver-copper.

SUMMARY

Overall the Company's geological objectives and corporate goals were being met although at a slower pace than originally planned for. The strategy now is to have the Company continue its methodical programs but add resources in order to accelerate the pace of work and therefore results. This entails placing the current drill rig on two shifts and adding further company owned rigs or bringing in a drill contractor.

Selected Financial Data
(CDN $ in 000, except per share data)

The following selected financial information is derived from the audited annual consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Years ended December 31,		
	2005 $	2004 $	2003 $
Operations:			
Revenues	-	-	-
Income (loss)	(2,638)	(1,442)	(1,227)
Income (Loss) per share	(0.04)	(0.03)	(0.03)
Dividends per share	-	-	-
Balance Sheet:			
Working capital	2,774	1,857	188
Total assets	10,000	5,740	2,855
Total Long-term liabilities	-	-	-

The following selected financial information is derived from the unaudited consolidated interim financial statements of the Company prepared in accordance with Canadian GAAP

	2006	2005				2004			
	Mar.31 $	Dec 31 $	Sept 30 $	Jun 30 $	Mar.31 $	Dec.31 $	Sept.30 $	June 30 $	Mar.31 $
Operations:									
Revenues	-	-	-	-	-	-	-	-	-
Net income (loss)	(130)	(2,042)	(220)	(263)	(113)	109	(75)	(2)	(1,474)
Income (loss) per share	(0.00)	(0.03)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)
Dividends per share	-	-	-	-	-	-	-	-	-
Balance Sheet:									
Working capital	2,294	2,774	2,875	895	1,498	1,857	1,366	1,537	624
Total assets	9,997	10,000	10,248	4,828	5,097	5,740	4,688	4,785	3,706
Total long-term liabilities	-	-	-	-	-	-	-	-	-

Results of Operations

During the period ended March 31, 2006, the Company recorded a loss of $130,091 compared with a loss of $112,884 for the comparable 2005 period.

The difference of $17,207 was due to decreases in interest on loans payable of $2,407, regulatory and shareholders costs of $15,409, legal and professional $3,607, rent $4,125, telephone and fax $432, foreign exchange $$20,451 and non-controlling interest of $39,033. These decreases were offset by increases in bank charges and interest of $1,730, office and miscellaneous of $1,618, salaries and benefits of $24,380, travel and accommodation $3,145, interest income $6,268.

The increase in interest income is the result of the Company having more funds in its treasury. The increase in travel and accommodation is the result of an additional trip taken by a director during the quarter as opposed to last year, when he did not travel. The increase in salaries and benefits is the result of an increase in salary of the CEO and CFO. The increase in office and miscellaneous and bank charges and interest is the result of the subsidiary and affiliates having increased costs.

Interest on loans payable was reduced as a result of the Company having fully repaid its loan, The decrease in regulatory and shareholders' costs is due to a reduction in investors relations expenditures. The decrease in legal and professional, rent, telephone and fax is the result of decreased costs compared to last year. Non- controlling Interest is the result of consolidation of the Affiliates. Foreign exchange results from translation of Philippine Pesos into Canadian dollars and consolidation.

Share Capital Transactions

During the period ended March 31, 2006 the Company completed the following share capital transactions:

- 53,738 Warrants were exercised by a director for total cash proceeds of $34,930

Financial Condition and Capital Resources

As at March 31, 2006, the company had a working capital of $2,293,626, as compared to a working capital of $ 2,774,185 (December 31, 2005) and $ 1,498,319 (March 31, 2005).

The increase in working capital is mainly the result of share issuance by way of private placements, exercise of stock options and the exercise of warrants.

Anticipated capital and exploration expenditures as well as administration during the next 12 months are anticipated to total nearly $ 2.5 million. The Company currently has sufficient working capital to fulfill its planned budgeted work programs. These expenditures would include drilling expenditures and field work on the Philippine Properties as well as normal administration costs of running the Companies.

Changes in Accounting Principles

Stock-based Compensation

Effective January 1, 2003, the Company adopted the fair value method of accounting for all employee and non-employee stock-based compensation under the amended recommendations of the Canadian Institute of Chartered Accountants Handbook, Section 3870, Stock-based Compensation and Other Stock-based Payments.

Under the fair value method, stock-based compensation expense is recognized at the time of award with an offsetting increase in contributed surplus.

Consolidation of Variable Interest Entities

In June 2003, the Canadian Institute of Chartered Accountants issued Accounting Guideline 15, *Consolidation of Variable Interest Entities*, which addresses the consolidation of interests in variable interest entities by the enterprise that is the primary beneficiary. A variable interest entity is an entity that does not have sufficient equity investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The primary beneficiary of a variable interest entity is the enterprise that is obligated to absorb the majority of the expected losses, if any, the expected residual returns, or both.

Accounting Guideline 15 applies to interim periods beginning on or after November 1, 2004. The Company has adopted this guidance as of January 1, 2005, and as such, the Company's December 31, 2005, consolidated financial statements, include the financial position and operations of the Philippine corporations in which the Company holds a 40% equity interest, as the Company has determined that it holds variable interests in these corporations and is the primary beneficiary.

The effect on the Company's financial statements is material as the investments in and advances to affiliates, as well as any interest income on the advances, were eliminated upon consolidation. As of January 1, 2005, the assets and liabilities of the Philippine corporations are reflected in the Company's consolidated financial statements.

Transactions with Related Parties

Included in amounts receivable and advances is $ 1,519 (December 31, 2005 - $1,519) due from a director.

Included in accounts payable and accrued liabilities is $ 159,365 (December 31, 2005 - $139,614) payable to directors and an employee and corporations controlled by directors. Of this amount $125,402 is due to an employee for past loans made to the Company, and the remaining $ 33,963 is due to several directors for expenditures and expenses incurred on behalf of the Company.

During the period ending March 31, 2006, gross rent of $ 6,000 (December 31, 2005 - $24,000) was paid to directors of the Company.

Risks and Uncertainties

The company is in compliance with all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations, and actions, could cause additional expense, capital expenditures, restrictions, and delays in the activities of the Company, the extent of which can not be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's mineral properties are located in the Philippines, and consequently are subject to certain risks, including currency fluctuations and possible political and economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations to the mining industry.

Investor Relations Activities

During the period ended March 31, 2006, the Company’s expenditures for investors’ relations amounted to $ 11,085. They are included in regulatory and shareholders costs and relate to updating the website, the payment of the Company’s investors relations for professional fees and other costs to provide market awareness and more exposure in the retail market, the wire distribution of the Company’s news releases and costs associated with designing and printing of Company brochures.

Outstanding Share Data

The Company’s authorized share capital is an unlimited number of shares without par value. As at March 31, 2006, there were 81,310,352 compared to 81,256,614 shares outstanding at December 31, 2005. The increase is the result of the exercise of warrants. As at March 31, 2006, there were 7,192,500 stock options outstanding, which were outstanding and exercisable, with exercise prices ranging from $0.11 to $0.60 per share. In addition, there were 6,765,888 warrants outstanding and which expire between April 30, 2006 and August 16, 2007, with exercise prices between $0.55 and $2.10 per share.