SARGOLD RESOURCE CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Form 51-102F1

For the Period Ending

June 30, 2004

1.1 Date of Information

This report has taken into account information available up to and including July 31, 2004.

1.2 Overall Performance and Results of Operations

General

The following Management's Discussion and Analysis ("MD&A") of Sargold Resource Corporation, (the "Company") should be read in conjunction with the accompanying unaudited consolidated interim financial statements for the six months ended June 30, 2004 and with the audited consolidated financial statements for the years ended December 31, 2003 and 2002, all of which are available at the SEDAR website at www.sedar.com.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles.

Forward-Looking Statements

Certain statements contained in the following Management's Discussion and Analysis constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance of achievements of the corporation to be materially different from actual future results and achievements expressed or implied by such forward-looking statements, which speak only as of the date the statements were made, and readers are also advised to consider such forward-looking statements while considering the risks set forth below.

Description of Business

The Company is involved in precious metal exploration and development and has interests in properties located in Canada and Italy.

Overview of Performance

In March 2003, the Company reached an agreement with Gold Mines of Sardinia ("GMS") to joint venture the Furtei Gold Mine project on the island of Sardinia, Italy. GMS holds a 90% interest in Sardinia Gold Mining SpA, with the balance of 10% owned by Progemisa SpA, a corporation owned by the Sardinia Government. The Company has the option to spend €15 million over an 8 year period to earn 50% of GMS's working interest (equivalent to a 45% direct interest). The minimum work expenditure of €1 million required during the initial year is a firm commitment. Also, in May 2003, the Company completed a subscription for a £1 million placement in the shares of GMS. As at June 30, 2004, the Company deferred $2,353,398 in expenditures related to the property, compared to an amount of $1,737,453 as at December 31, 2003, and the amount of $1,687,976 as at March 31, 2004. The Company overestimated the amount of deferred exploration expenses as at December 31, 2003 by $186,008 due to foreign exchange rates and accrued expenditures, offset by $135,531 expenditures incurred during the first quarter of 2004. The minimum work expenditure required during the second year is €2 million, which is now a firm commitment, subject to cancellation of the current agreement and its replacement by a new agreement as stated below.

In February 2004, a wholly owned subsidiary of GMS, into which substantially all of GMS' assets had been transferred, merged with Full Riches Investments Ltd., with the surviving entity being named Medoro Resources Ltd. ("Medoro"). As part of the transaction, the shares of Medoro received by GMS were distributed to GMS shareholders on the basis of one Medoro share for every seven GMS shares held. The Company received 679,801 Medoro shares. Additionally, in the near future, the Company is to be provided with a number of Medoro common share purchase warrants to augment / replace, in part, the GMS warrants.

In May 2004, the Company negotiated a new Letter of Intent ("LOI") with Medoro, whereby Sargold could purchase 100% of Medoro's 90% interest in the Furtei Gold Mine property, rather than option 50% of Medoro's interest as detailed in the March 2003 option agreement, which will be superseded by the LOI if and when consummated. Consideration for the LOI will be €6 million cash payments over 30 months, Sargold shares valued at Canadian $1 million payable 30 months from closing, the assumption of €2 million worth of liabilities plus a sliding scale net smelter royalty up to 3%, subject to industry standard buy downs. The LOI / formal agreement is subject to regulatory approvals and completion of due diligence by the Company.

As at June 30, 2004, the Company deferred $2,353,398 in expenditures related to the property, an increase of $615,945 over the amount of $1,737,453 as at December 31, 2003, and an increase of $665,422 over the amount of $1,687,976 as at March 31, 2004.

In March 2003, the Company reached an agreement to purchase a 100% working interest ("WI") in the Lodestone Mountain Property located in British Columbia, Canada. The Company purchased the Lodestone Mountain Property by purchasing 100% of the shares of 651030 B.C. Ltd ("651030"). The terms of the acquisition include the issuance of 3,166,666 common shares (issued September 2, 2003, for total consideration of $468,666, of which 1,971,859 shares are subject to certain escrow provisions) and 3,000,000 share purchase warrants exercisable into common shares at a price of $0.20 per share (subject to certain vesting provisions) at a deemed value of $120,000 (determined using the Black-Scholes valuation model assuming volatility factors of 86%, a risk free interest rate of 2.340% and an expected life of 2.08 years) expiring September 1, 2006, cash payments of $100,000 ($26,000 paid August 26, 2003, and $74,000 paid October 24, 2003) with the vendor retaining a 5% gross overriding royalty on all ferrous metals produced, and a 2% net smelter return on all other minerals produced. The vendor of 651030 is not arms length to the Company and, therefore, the acquisition was subject to disinterested shareholder and regulatory approvals, which have been received.

The purchase method was used to account for this transaction as follows:

3,166,666 shares at $0.148	$468,666
Cash payments	100,000
3,000,000 warrants valued at	120,000
Total consideration	$688,666

As at June 30, 2004, the Company expended $157,278 in deferred exploration expense related to the Lodestone Mountain Property, an increase of $29,431 over the amount of $127,847 as at December 31, 2003, and an increase of $5,437 over the amount of $151,841 as at March 31, 2004.

As at June 30, 2004, the Company has capitalized costs on its mining assets as follows:

	Acquisition Costs	Deferred Exploration Expenses
Lodestone Mountain	$ 688,666	$ 157,278
Furtei Gold Mine	-	2,353,398
	$ 688,666	$ 2,510,676

For the six months ended June 30, 2004, the Company incurred a net loss of $1,104,497, which is substantially higher than the loss of $460,282 for the same period in 2003. The main factor contributing to the higher loss in 2004 is write-down of marketable securities for $570,065. Other factors include the operating expenses related to the maintenance of an office for the Company, incidental costs and facilities thereto, and the hiring of employees to manage the operations of the Company. Salaries and benefits were a total of $277,327, an increase of $163,189 when compared to the same period of 2003. Other major variances include increases due to property investigations of $33,598, office and sundry $13,919, promotion $21.116, rent $17,419, travel $14,177, offsetting decreases in consulting $41,059, interest and finance charges $106,709 and stock-based compensation $26,100.

During the six month period ended June 30, 2004, investor relations services were maintained by the Company. Mr. Karl Kottmeier, Vice President, Corporate Communications is responsible for managing all industry and investor communications, all marketing activities and requirements, news dissemination and regulatory filings. Mr. Jackson Sayers, Manager, Investor Relations, provided investor relations services, which included but were not limited to generally enhancing investor awareness of the Company in the investment community, identifying current and attracting potential investors and providing them with publicly available information regarding the Company. Mr. Sayers left the Company's engagement effective February 29, 2004.

In February 2004, the Company announced the appointment of Mr. Dan MacInnis, P.Geo. to the position of Exploration Manager, Sardinia. Mr. MacInnis will be based in Sardinia and will be directly responsible for all exploration activities at the Furtei Gold Project. In June 2004, the Company announced that Mr. MacInnis accepted the position of Vice President, Exploration, replacing Mr. Richard Williams, who while available to the Company as a consultant, is pursuing other personal interests.

1.3 Select Annual Information

	2003	2002	2001
Total revenue	nil	nil	nil
Loss before extraordinary items	(735,524)	(363,441)	(244,842)
Loss per share before extraordinary items	(0.06)	(0.10)	(0.18)
Diluted loss per share before extraordinary items	(0.06)	(0.10)	(0.18)
Total net loss	(735,524)	(363,441)	(244,842)
Total net loss per share	(0.06)	(0.10)	(0.18)
Total diluted net loss per share	(0.06)	(0.10)	(0.18)
Total assets	6,827,671	144,958	131,030
Totals long-term financial liabilities	nil	nil	nil
Cash dividends declared per share	nil	nil	nil

1.5 Summary of Quarterly Results

Selected financial information for each of the eight most recently completed quarters of fiscal 2004, 2003 and 2002 are as follows:

	2004		2003				2002	
Three months ended	Jun.	Mar.	Dec.	Sep.	Jun.	Mar.	Dec.	Sep.
	$	$	$	$	$	$	$	$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	806,709	297,788	173,644	101,598	306,583	153,699	188,764	96,586
Net loss per share basic and diluted	0.03	0.01	0.02	0.01	0.05	0.03	0.05	0.04

The Company's operations are dependant upon its ability to raise funds.

1.6 Liquidity

The Company's previous mineral exploration and development activities have provided the Company with no sources of income, a history of losses, limited capital resources and an accumulated deficit of $5,578,875 as at June 30, 2004. However, given the nature of its business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of the Company's performance and valuation.

As at June 30, 2004, the Company had cash of $2,026,504 and a working capital of $2,793,105, in comparison with those as at December 31, 2003 of $1,678,883 in cash and a working capital of $3,245,223.

The Company has no long-term liabilities. Outstanding obligations include rent of office premises which has completed the first year of a three year lease.

1.7 Capital Resources

The Company's primary capital assets are mineral property assets which are discussed in detail in section 1.2 Overall Performance.

In January 2004, the Company closed a non-brokered private placement of 2,166,666 units at $0.60 per unit for proceeds of $1,300,000. Each unit is comprised of one common share and one-half of a share purchase warrant. One full share purchase warrant entitles the holder to purchase one common share at $1.00 for a period of 18 months expiring on July 22, 2005. The common shares issued in connection with this private placement have a hold period expiring on May 23, 2004. A finders' fee of $91,000 was paid relative to this transaction. The proceeds from the private placement will be used for the Furtei Gold Mine Project in Sardinia and for general working capital purposes.

The Company historically has relied upon equity subscriptions to satisfy its capital requirements. The Company will continue to depend upon equity capital to finance its activities. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors.

1.8 Off Balance-Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

During the six month period ended June 30, 2004, the Company paid administrative expenses of $15,000 to a company in which the President has a 25% interest. Administration services include services related to the general operations of the Company, day-to-day administrative office services (e.g. Facsimile capabilities, word processing, photocopier, computer facilities and Internet services), other administrative services which the Company may reasonably require from time to time, and rental of office equipment and furnishings.

During the six month period ended June 30, 2004, the Company incurred salaries expenses of $50,000 to a director of the Company and salaries expense of $81,500 to the President. Included in accounts receivable is an amount of $390,856 due from related companies, which share certain common directors with the Company. Included in accounts payable is $36,833 due to a director of the Company and the President for accrued salaries.

1.11 Proposed Transactions

There are no transactions that will materially affect the performance of the Company.

1.12 Critical Accounting Estimates

Not applicable.

1.13 Changes in Accounting Policies including Initial Adoption

On January 1, 2004, the Company adopted the revised CICA Handbook Section *3870 Stock-based Compensation and Other Stock-based Payments*. As a result of the retroactive application of the revised standard, the prior years' financial statements have been restated.

Commencing January 1, 2003, the Company adopted the new recommendations of the CICA for share-based compensation. The new recommendations require that a fair value be determined for options at the date of grant and that such fair value be recognized in the financial statements. In respect of share options awarded to employees, it is permissible to use either the fair value based method or intrinsic value based method; however, if the intrinsic based method is used, pro forma disclosure is required so as to show what the effect would have been had the fair value based method been applied.

The Company previously applied the intrinsic based method of accounting for share-based compensation awards granted to employees. Accordingly, no compensation cost was recorded in the financial statements related to its share options plans and the requisite pro forma disclosures had been made using the fair value method.

1.14 Financial Instruments and Other Instruments

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, note payable and loans and advances as reflected in the balance sheet approximate their fair values. The Company has no significant concentrations of credit risk.

1.15 Other MD&A Requirements

Share Capital

Authorized

Unlimited number of Class "A" common voting shares without par value
Unlimited number of Class "B" common non-voting shares without par value
Unlimited number of non-voting preferred shares without par value

Issued

Changes in the Company's share capital were as follows:

	Number of Shares	Amount
Class "A" common shares, Balance at December 31, 2003	23,246,547	9,390,461
Issued for cash (Note 6(c))	2,166,666	1,300,000
Issued from exercise of warrants	168,750	42,188
Class "A" common shares, Balance at June 30, 2004	25,581,963	$ 10,732,649

Stock Options

As at June 30, 2004, certain directors and officers of the Company hold 1,415,665 stock options, and certain employees and consultants of the Company hold 175,000 stock options to purchase common shares of the Company.

The following table summarizes the status of the Company's stock option plans as at June 30, 2004, and changes during the period ending on this date:

	2004	
	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,590,665	$0.56
Granted	120,000	$0.52
Exercised	-	
Cancelled	(120,000)	$0.72
Outstanding at June 30, 2004	1,590,665	
Options exercisable at June 30, 2004	1,590,665	

The following table summarizes information about stock options outstanding at June 30, 2004:

Exercise Price	Number Outstanding at Mar. 31, 2004	Average Remaining Contractual Life	Average Exercise Price	Number Exercisable at Mar. 31, 2004	Average Exercise Price
$0.72	1,050,000	4.2 Years	$0.72	1,050,000	$0.72
$0.15	440,665	3.7 Years	$0.15	440,665	$0.15
$0.51	100,000	4.8 Years	$0.51	100,000	$0.51
	1,590,665			1,590,665	

On July 29, 2004, the Company repriced 825,000 stock option agreements dated September 3, 2003 from $0.72 to $0.45 exercisable up to September 1, 2008.

Warrants

As at June 30, 2004, warrants were outstanding as follows:

Number of Shares	Exercise Prices and Expiry Dates
5,324,547	$0.75 until February 21, 2005
1,885,937	$0.75 until March 11, 2005
166,667	$0.45 until April 22, 2005
1,083,333	$1.00 until July 22, 2005
3,000,000	$0.20 until September 1, 2006