STRAIT GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Strait Gold Corporation ("Strait Gold" or "the Company" or "the Corporation") for the years ended December 31, 2009 and 2008, and should be read in conjunction with the audited financial statements and related notes included therein for the years ended December 31, 2009 and 2008. The Corporation reports its financial position, results of operations and cash flows in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). This MD&A is made as of April 22, 2010.

FORWARD LOOKING INFORMATION

This MD&A contains forward-looking statements that involve risks and uncertainties, which may cause actual results to differ materially from the statements made. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to such risks and uncertainties. Many factors could cause our actual results to differ materially from the statements made, including those factors discussed in filings made by us with the Canadian securities regulatory authorities. Should one or more of these risks and uncertainties, such as the actual results of current exploration programs, the general risks associated with the mining industry, the price of gold and other metals, reduced funding, currency and interest rate fluctuations, increased competition and general economic and market factors, occur or should assumptions underlying the forward-looking financial statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated or expected. We do not intend and do not assume any obligation to update these forward-looking statements, except as required by law. Shareholders are cautioned not to put undue reliance on such forward-looking statements.

This MD&A has been approved by the Board of Directors of the Company, and contains certain information that is current to April 22, 2010. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. The Company may, but is not obligated to, provide updates to forward looking statements, including in subsequent news releases and its interim MD&As filed with regulatory authorities. Additional information relating to the Corporation is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

EXECUTIVE SUMMARY

Strait Gold is a TSX-Venture-Exchange-listed company devoted exclusively to mineral exploration in Peru where it currently is involved in three projects.

In 2009, the Company's primary focus was on a generative exploration program to identify and evaluate mineral exploration targets in Peru available for acquisition. As a result of this program, which is ongoing, in September of 2009 the Company entered into an agreement giving it the right to earn a 100% interest in the Alicia copper-gold property in the Department of Cusco, approximately 500 km southeast of Lima. In the fourth quarter of 2009, the Company initiated a two-phase exploration program that includes approximately 1,000 metres of drilling. The Company then raised approximately $300,000, net of costs, through private placements of common shares.

In 2009, the Company completed rehabilitation efforts relating to a 2007 drill program at its Culebrilla property and fulfilled its obligations to the local community such that the Company is now in a position to resume exploration activities at Culebrilla and the adjoining Letra Rumi South properties. The Company owns 100% of each of these two properties and has postponed further work on them while it focuses its efforts on the Alicia property.

The Company reported a net loss of approximately $778,000 in 2009 compared to $1.9 million in 2008. Excluding write downs of approximately $36,000 in 2009 and $1.4 million in 2008, the greater expenses in 2009 relate largely to exploration costs being almost entirely expensed in 2009 rather than capitalized. Other expenses were reduced to approximately $395,000 in 2009 compared with approximately $460,000 in 2008.

In 2010, the Company plans to complete the first phase of its exploration program at Alicia and raise equity financing to strengthen its liquidity position and permit further exploration activity.

OVERVIEW

In 2009, the Company optioned the Alicia copper-gold property in Peru and subsequently initiated a two-phase exploration program on the property. Phase 1 of this program is currently under way, including efforts to secure surface rights in advance of a drilling program. An application for a drilling permit, which includes baseline environmental studies, is being prepared.

The Company also holds a 100% interest (subject to a 3% NSR royalty) in two other mineral properties, Letra Rumi South (copper-silver) and Culebrilla (gold-silver). In 2008, the Company prepared Letra Rumi South for a 1,500-metre diamond drill program by improving access to the property. Further work at Letra Rumi South and Culebrilla, which adjoins Letra Rumi South, was delayed by negotiations regarding surface rights and closure issues arising from a 2007 drilling program at Culebrilla. In 2009, surface rights to these properties were obtained and obligations relating to the earlier drilling activities at Culebrilla were fulfilled such that the Company is now positioned to resume exploration activities on these properties.

The Company is sufficiently funded to conduct the first phase of its planned exploration program at Alicia. Further equity financing will be required to conduct additional exploration.

OVERALL PERFORMANCE

The focus of the Company's exploration program for much of 2009 was on a generative program to identify and evaluate mineral exploration targets, principally in southern Peru. This program is ongoing.

As a direct result of the generative program, in September 2009, the Company entered into an agreement with the Peruvian subsidiary of Panoro Minerals Ltd. that gives the Company the right to earn up to a 100% interest, subject to a 2% Net Smelter Return Royalty (the "Alicia Royalty"), in the 2,593-hectare Alicia property in the Department of Cusco, approximately 500 km southeast of Lima. In October 2009, the Company initiated the first phase of a two-phase exploration program at Alicia. Phase 1 consists of community engagement, surface mapping, sampling and an induced polarization survey to identify drill targets. Phase 2 will include drilling to test for mineralization at depth. Baseline studies, preparation of an inventory of old mine workings in the area and negotiation of a community agreement for surface rights are being conducted as required for issuance of a drilling permit. Registration of all community members has taken place and an agreement with the community is in the process of being formalized by way of public deed.

A planned 1,500-metre drill program at the Company's Letra Rumi South property was postponed in 2008 pending approval from the local community regarding surface rights for the Culebrilla property and the adjoining Letra Rumi South property. In 2009, property access and surface rights issues in respect of Culebrilla were resolved which positions the Company for resumption of work at both Culebrilla and Letra Rumi South. These properties are 100% owned by the Company (subject to a 3% NSR royalty) with no work commitments and nominal holding costs.

For much of 2008 and 2009, the Company was actively involved with the local community and with government agencies with a view to reaching agreement on and executing a closure plan at Culebrilla following a 2007 drill program. The Company completed the closure report for Culebrilla and filed it with Peruvian regulatory bodies in September 2009. Although the time for affected parties to challenge the closure report has now elapsed, the Company awaits notification of final acceptance.

Cash conservation remains a priority for the Company. At December 31, 2009, the Company's cash and cash equivalents was $569,271 and working capital was $564,066.

SELECTED ANNUAL INFORMATION

The following is a summary of selected audited financial information as of and for the years ended December 31, 2009, 2008 and 2007. This summary should be read in conjunction with the Company's audited financial statements and related notes.

Statement of Operations Data

	Years ended December 31		
	2009	**2008**	**2007**
Revenues	$ -	$ -	$ -
Net Loss from Operations	777,627	1,897,339	637,085
Basic and Diluted Loss per Share	$0.03	$0.08	$0.03

Balance Sheet Data

	December 31		
	2009	**2008**	**2007**
Mineral properties	$ 1,082,493	$ 1,021,438	$ 1,943,615
Total Assets	1,708,049	2,259,363	4,184,502
Total Liabilities	51,850	38,817	99,584
Shareholders' Equity	1,656,199	2,220,546	4,084,908

RESULTS OF OPERATIONS

During the periods under review, the Company was in the exploration stage and had no revenues other than interest income earned on its short-term investments. In accordance with Canadian GAAP, expenditures on the acquisition of interests in mineral properties and related exploration costs are deferred and capitalized. If the interests are allowed to lapse or the properties are no longer of interest, accumulated costs are written down. Prior to 2008, the Company's losses related almost entirely to administrative expenses. In 2008, the Company wrote down $1,359,244 of costs previously capitalized to the Culebrilla, Pallcamachay and San Jorge properties in which the Company relinquished its interest or where further exploration plans were put on hold. In 2009, the Company wrote down a further $36,025 in respect of concessions relinquished at Culebrilla. Net loss from operations for 2008 and 2009 was $1,897,339 and $777,627 respectively. The losses for 2008 and 2009 also included $75,573 and $340,690, respectively, for exploration costs. These costs were not capitalized because they relate to closure activities at Culebrilla, where the properties are no longer of interest, and to the properties in the generative program prior to the Company having a contractual interest. During the periods under review, the Company did not have any full time employees. The CEO, the CFO, the VP-Exploration and the Senior Geologist were retained as independent contractors.

Other operating expenses for 2009 were $400,912 compared with $462,522 in 2008. Decreases in stock-based compensation (a non-cash item) of $29,634 and management fees of $51,226, partially offset by a decrease in interest income of $49,027, are the major reasons for the swing.

Years Ended December 31, 2009 and 2008

During the year ended December 31, 2009, the Company incurred a loss from operations of $777,627 compared with a loss of $1,897,339 in 2008.

The decrease in management fees for 2009 to $150,424 from $201,650 in 2008 reflects cut backs in executive compensation and staff hours at the Toronto and Lima offices. Professional fees in 2009 were $102,634 compared with $89,991 in 2008. Legal fees relating to new exploration activities in Peru and financing activities in Canada were lower in 2009 than in the previous year, but this was offset by substantial costs relating to Culebrilla closure activities that were ongoing for much of the year. Investor relations and travel expense in 2009 was $37,318 compared with $36,676 in 2009. Prior to 2009, the great majority of exploration costs were deferred and included as a component of mineral properties; only exploration costs not incurred in Peru or not attributable to exploration projects were expensed. Exploration costs of $340,690 in 2009 relate primarily to the generative program and to final remediation work and community projects at Culebrilla. Exploration costs of $75,573 in 2008 related to geological consulting support in Canada and the shift to generative activities in the second half of the year. Expense of $34,284 in 2008 reflects the final amortization of stock options awarded in 2007. Office and general expenses were $82,854 in 2009 compared with $119,144 for 2008, reflecting lower rental expense in Toronto and Lima and other cost containment measures. Listing and regulatory fees for 2009 YTD were $16,216 compared to $17,818 in 2008 YTD.

In addition to the above noted expenses, the Company incurred write downs of $36,025 in 2009 and $1,359,244 in 2008 in respect of previously deferred exploration costs at mineral properties. The write downs in 2009 relate to staking and tenure costs for certain concessions at Culebrilla that were relinquished. The write downs in 2008 reflect the shift in focus of exploration activities from Culebrilla to Letra Rumi South and the non-renewal of the Pallcamachay and San Jorge options.

Interest income for 2009 was $13,385 compared with $62,412 in 2008, reflecting the drawdown on short-term investments to fund ongoing operations and generally lower rates of interest.

Years Ended December 31, 2008 and 2007

During the year ended December 31, 2008, the Company incurred a loss from operations of $1,897,339 compared with a loss of $637,085 in 2007.

The increase in management fees for 2008 to $201,650 from $153,160 in 2007 relates to the greater use of part-time administrative staff in Canada and Peru during the year and to increases in fees for consulting services provided by our CEO and CFO. Professional fees in 2008 were $89,991 compared with $136,204 in 2007. Legal fees in Peru for 2008 were lower than the previous year reflecting a lower level of exploration activity and the fact that 2007 included substantial costs relating to negotiation of the acceleration of the Option Agreement. Legal fees in connection with securing our interests in Peruvian properties are deferred and capitalized to those properties Legal costs in Canada for 2008 were also lower due to the absence of financing activities in 2008. Investor relations and travel expense for 2008 were lower than the previous year primarily because of lower costs for the 2007 annual report. Exploration costs are generally deferred and included as a component of mineral properties. However, exploration costs that are not incurred in Peru or which cannot be directly attributed to exploration projects are expensed. Such exploration costs for 2008 were $75,573 as compared to $47,730 in 2007. The increase relates primarily to geological consulting support in Canada and the shift in focus to “generative” activities in the second half of 2008. The Company incurred non-cash costs of $34,284 in 2008 in respect of the amortization of the value of stock options granted to consultants and directors, compared with $173,225 in 2007. The lower figure relates to the fact that options granted in late 2007 were valued lower than those granted in late 2006. The increase in office and general expenses to $119,144 in 2008 from $83,745 in 2007 reflects higher office rental costs in Toronto and Lima and higher insurance costs. The decrease in listing and regulatory fees in 2008 to $17,818 from $42,674 in 2007 reflects then fact that the Company did not have a share issue in 2008 and accordingly only paid sustaining fees on the TSX Venture Exchange.

In addition to the above noted expenses, the Company incurred write downs of $1,359,244 in 2008 in respect of previously deferred exploration costs at mineral properties. These write downs reflect the shift in focus of exploration activities from Culebrilla to Letra Rumi South and the non-renewal of the Pallcamachay and San Jorge options.

Interest income for 2008 was $62,412 compared with $82,251 the previous year, reflecting the drawdown on short-term investments to fund ongoing operations and generally lower rates of interest during the year.

Summary of Quarterly Results

	Quarter Ended			
	Dec. 31, 2009	**Sept. 30, 2009**	**June 30, 2009**	**March 31, 2009**
Revenues	$ -	$ -	$ -	$ -
Net loss	135,264	237,070	252,309	152,984
Basic and Diluted Loss per Share	$ 0.00	$ 0.01	$ 0.01	$ 0.01

	Quarter Ended			
	Dec. 31, 2008	**Sept. 30, 2008**	**June 30, 2008**	**March 31, 2008**
Revenues	$ -	$ -	$ -	$ -
Net loss	1,489,953	105,627	150,060	151,699
Basic and Diluted Loss per Share	$ 0.06	$ 0.00	$ 0.01	$ 0.01

Loss per share is calculated using the Treasury Stock Method and is based on the weighted average number of common shares outstanding during each period. Diluted loss has not been calculated since the effect of issuing shares through the exercise of options and warrants would be anti-dilutive.

PROPERTIES

Years Ended December 31, 2009 and 2008

In accordance with Canadian GAAP, expenditures on the acquisition of interests in mineral properties and related exploration costs are deferred and capitalized. During 2009 and 2008, expenditures on mineral properties were $97,080 and $437,067, respectively. Write downs in 2009 and 2008 were $36,025 and $1,359,244, respectively.

Alicia Property

On September 25, 2009, the Company and Panoro Apurimac S.A. entered into an Option and Mining Lease Agreement under which it has the right to acquire up to a 100% interest, subject to a 2% Net Smelter Return Royalty, in the 2,593 hectare Alicia copper-gold property. The Alicia property is located in the Department of Cusco, approximately 500 km southeast of Lima, and lies within the prolific Andahuaylas-Yauri metallogenic belt of porphyry and skarn deposits. Under the terms of the agreement, the Company can acquire a 100% interest by issuing 1,000,000 shares and incurring US$1.25 million in work expenditures over the three-year term of the agreement. The Company has the right to purchase 50% of the Alicia Royalty for a one-time payment of US$2.3 million within six months of earning a 100% interest.

Summary expenditure information on the Alicia property is as follows:

	December 2009
Acquisition	$ 6,500
Deferred exploration expenses	62,080
Total	$ 68,580

Culebrilla Property

The Culebrilla gold-silver property originally consisted of eight contiguous mining claims totaling 5,900 hectares in the Department of Ancash, Peru. The Company wrote down $942,601 of deferred exploration costs at Culebrilla at year-end 2008. In 2009, the Company renounced its interest in six mining concessions that formed a portion of the Culebrilla property and wrote down a further $36,025 of deferred exploration costs. The remaining claims (Culebrilla 1 and Rosa Mistica 20 and 30), when combined with the adjoining Letra Rumi South property, constitute a single geographic domain of approximately 3,100 hectares.

Exploration expenditures at Culebrilla were minimal during 2009 and related exclusively to tenure costs. The Company's focus during the year was on completion of closure activities relating to the 2007 drill program. All associated costs were expensed.

Summary expenditure information on the Culebrilla property is as follows:

	Cumulative to December 31	
	2009	2008
Acquisition	$ 821,082	$ 821,082
Deferred exploration expenses	1,066,469	1,045,529
Write downs	(978,626)	(942,601)
Total	$ 908,925	$ 924,010

Letra Rumi South Property

The Company staked the 900-hectare Letra Rumi South copper-silver property in 2006. The property is adjacent to and to the south of the Culebrilla property, and lies within the area of influence of the Culebrilla option agreement. Based on the results of mapping, sampling and geophysics, the Letra Rumi South prospect is considered to have potential to host significant bulk-tonnage copper mineralization, and a 1,500-metre diamond drill program is planned for this property. The resolution during 2009 of property access and surface rights issues in respect of Culebrilla positions the Company for resumption of work at Letra Rumi South provided it receives community approval for the program. Cumulative expenditures to December 31, 2009 at this property are $104,988 (2008 - $97,428).

Project Plans and Outlook

In October 2009, the Company announced that it had completed a technical report regarding the Alicia property in compliance with NI 43-101, recommending a two-phase exploration program. Phase 1, currently under way, consists of community engagement, surface mapping and sampling and an induced-polarization survey to identify drill targets. Phase 2 will consist of approximately 1,000 metres of drilling to test for mineralization at depth. The report recommended a second drilling program of 2,000-2,500 metres depending on the success of the initial drill program.

At Letra Rumi South, exploration to date has identified the potential for significant disseminated copper mineralization. Based on mapping, sampling and geophysical surveys, a 1,500-metre drilling program is proposed to test the down-dip continuity of the mineralized gossans and corresponding geophysical anomalies. The recent resolution of the property access and surface rights issues in relation to the Culebrilla drilling program positions the Company to move forward with this project in the future. Work at Letra Rumi South has been postponed while the Company focuses its efforts on the Alicia property.

Work at Culebrilla has been postponed while the Company focuses its efforts on the Alicia property.

LIQUIDITY

Year Ended December 31, 2009

At December 31, 2009, the Company had cash and cash equivalents of $569,271 compared to $1,178,616 at the previous year-end. In November 2009, the Company raised $202,130, net of commissions and fees, through the private placement of common shares and warrants. In January 2010, a further $118,500, net of commissions was raised. During 2008, the Company did not raise any funds through the issue of shares or exercise of warrants. Working capital at December 31, 2009 was $569,563 compared with $1,180,610 the previous year.

Under the option and royalty agreement with Panoro Minerals Ltd. in respect of the Alicia property, the Company can earn a 100% interest in the property by issuing 1,000,000 shares and incurring US$1.25 million in work expenditures over a three-year period. Work expenditures for the periods from execution of the agreement until the first and second anniversaries of the Community Agreement, are US$150,000 and US$500,000, respectively. It is anticipated that a public deed recording the Community Agreement will be finalized in the near future, thereby starting the time periods during which the above expenditures must be undertaken.

While the Company has sufficient liquidity to fund the first phase of its exploration program at Alicia, it will require further financing to carry out its plans thereafter. The ability to raise further financing depends on market conditions.

Capital Resources

The Company currently has approximately $460,000 of cash resources and working capital.

OUTSTANDING SHARE CAPITAL

Strait Gold Corporation is authorized to issue an unlimited number of common shares. As of the date of this MD&A, the Company has 27,010,436 common shares outstanding.

A summary of the Company's warrants(1) and broker warrants(1) outstanding as of the date of this MD&A is as follows:

	Exercise Price $	Expiry Date	Outstanding
Warrants	0.15	May 30,2011	1,344,500
Warrants	0.15	July 11, 2011	25,000
Warrants	0.15	July 15, 2011	575,000
Broker warrants	0.10	May 30, 2011	243,900
Broker warrants	0.10	July 15, 2011	15,000
			2,203,400

(1) Each warrant or broker warrant can be exercised for one common share

A summary of the Company's stock options outstanding as of the date of this MD&A is as follows:

Exercise Price $	Expiry Date	Outstanding
0.40	Nov. 28, 2011	970,000
0.14	Dec.18, 2012	475,000
0.10	Dec.31, 2014	100,000
0.14	Jan.26, 2015	620,000
		2,165,000

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements at December 31, 2009 and 2008, or at the date of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2009, the Company entered into the following transactions with related parties:

(a) payment of $108,000 in respect of management and administrative services to Borland Levand & Associates, a firm in which a director is a principal; .
(b) payment of $22,100 in respect of financial management services to Graham L. Desson Consulting Inc., a firm in which an officer is a principal; and
(c) payment of legal fees of $21,129 to Gardiner Roberts LLP, a firm in which a director is a principal.

All transactions with related parties are established and agreed by the various parties and approximate the exchange amount.

CHANGES IN ACCOUNTING POLICY

The Company adopted the following new accounting standards in 2009:

(a) *Goodwill and Intangible Assets*
Effective January 1, 2009, the Company adopted CICA Handbook Section 3064 "Goodwill and Intangible Assets" which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27 relating to revenues and expenses during the pre-operating period. As a result of this withdrawal, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations. The adoption of this new policy had no impact on the reported results of the Company.

(b) *Mining Exploration Costs*
On March 27, 2009, the Emerging Issues Committee of the CICA issued EIC – 174 requiring that an entity consider the following criteria in its determination of impairments that may exist in its properties, in addition to those conditions set out in CICA Handbook Section 3063.09 and AcG 11, Paragraphs 15-19, for current and future accounting periods:

i) Market value of the underlying commodity that the Company is exploring for has had no long-term, non-temporary decreases;
ii) The entity's book value is in excess of its market value; and
iii) The entity's ability to meet future commitments is in question.

The existence of any of the above conditions may signify that an impairment exists in the fair value of a company's properties.

FUTURE ACCOUNTING CHANGES

Convergence with International Reporting Standards

In 2006, the Canadian Accounting Standards Board ("Board") confirmed that the transition to International Financial Reporting Standards ("IFRS") from Canadian GAAP will occur on January 1, 2011 for public entities. The Company has developed a transition plan covering selection of accounting policies under IFRS, the accounting treatment of significant items, the preparation of an opening balance sheet at January 1, 2010 and the preparation of interim financial statements under IFRS during 2010 in parallel with Canadian GAAP. As at December 31, 2009, the Company has completed the preliminary planning and scoping phase of the conversion, including review with the Audit Committee of the project plan and identification of relevant IFRS policies and policy differences between IFRS and Canadian GAAP.

Generally, IFRS has more extensive disclosure requirements than under Canadian GAAP. The Company has identified some areas where there is potential for changes in disclosure under IFRS:

IFRS 1 – first time adoption of IFRS requires that an entity apply all standards effective at the end of its first reporting period retrospectively, and provides entities with a number of optional and mandatory exemptions. The Company is currently analyzing the exemptions available and will make the most appropriate elections.

Stock based compensation – treatment under IFRS is substantially consistent with Canadian GAAP. However, where stock options vest in installments, IFRS requires that the fair value of each installment be treated as a separate share option grant, whereas under Canadian GAAP options are valued at the outset and amortized over the vesting period. This is not likely to be of significant impact to the Company.

The most significant aspects of the Company's financial statements relate to deferred exploration costs and asset impairments. Based on its assessment of the impact of IFRS in these areas, management is not anticipating any material changes in the opening balance sheet at January 1, 2010 and in the reporting of financial results after January 1, 2011.

The Company is also assessing the impact of IFRS in the following areas:

Information systems – the Company does not anticipate conversion to IFRS having any significant impact on its capability of collecting financial information for compliance.

Internal controls over financial reporting – as part of its conversion plan, the Company will consider the impact of IFRS on internal controls over financial reporting and on disclosure controls and procedures.

Financial reporting expertise – given the present size of the Company, the lead in the IFRS conversion project is being taken by the CFO, reporting to the CEO and the Audit Committee. The CFO has attended various external IRFS training sessions, including some specific to the junior mining industry, and provides quarterly updates on the status of the project.

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

Non-controlling Interests

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

Consolidated Financial Statements
In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

Mineral properties
The Company capitalizes all expenditures that result in the acquisition and retention of mineral properties or an interest therein. The amount shown for mineral properties represents costs to date and does not necessarily reflect present or future values. If the properties are sold, allowed to lapse or are no longer of interest, accumulated costs are written off. Expenditures on properties in which the Company does not have a registered or contractual interest are expensed as incurred. The recoverability of the carrying values of the properties is dependent on the ability of the Company to obtain the necessary financing and permits to continue exploration, the establishment of economically recoverable reserves, future profitable production and/or proceeds from the disposition thereof.

Stock based compensation
The Company has a stock-based compensation plan that is described in Note 6. The CICA Handbook, Section 3870, establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments for goods and services. The Section requires that awards of stock be at fair value.

Other significant accounting policies are summarized in Note 2 to the Consolidated Financial Statements.

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents held at a Canadian chartered bank, other receivables and accounts payable, some of which are denominated in Canadian dollars, US dollars or Peruvian soles. All financial instruments are designated as held for trading and are recorded at market value which approximates their carrying value. It is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from financial instruments. The Company does not have major commitments to acquire assets in foreign currencies at this time, but in the event of successful future financings the Company expects that significant future expenditures will be denominated in US dollars or Peruvian soles.

COMMITMENTS AND CONTINGENCIES

Office Rental
In February 2008, the Company entered into an agreement to lease office premises in Toronto for a five year period commencing June 1, 2008. Annual base rental is $19,448 in the first year with annual increments of approximately $450 thereafter. Annual operating costs are estimated to be approximately $17,400.

OUTLOOK

Since acquiring rights to the Alicia property in September 2009, the Company has made substantial progress in establishing a framework with the local communities for future exploration activities. The Company intends to implement its early stage exploration plans for this property in 2010.

Although the resolution of community relations issues at Culebrilla clears the way for future exploration activities at Letra Rumi South and Culebrilla, work at these locations will not be resumed until sufficient financing is obtained.

RISK FACTORS

Financing Risk

Further exploration and development of the Company's properties will require additional equity financing. Failure to obtain this financing will result in the delay or indefinite postponement of exploration, development or production on any or all of the properties or even a loss of property interests. The Company will require additional funding to acquire additional property interests. The ability to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as the Company's business performance. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on satisfactory terms. If additional financing is raised by the issuance of shares from treasury, control of the Company may change and existing shareholders may suffer dilution.

Mineral Pricing Risk

The feasibility of the Company's mineral exploration is significantly affected by changes in the market price of gold, silver and copper. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of gold, silver and copper and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Other Significant Risks

In addition to the foregoing, the Company's business risks include operating hazards, environmental and other government regulations, competition in the marketplace, and the market for our securities. Its properties are located in Peru and are subject to the laws and regulations of that country. The Company carries on its exploration activity outside of Canada. Accordingly, it is subject to the risks associated with the fluctuation of the rate of exchange of the Canadian dollar and foreign currencies, in particular the US dollar and the Peruvian soles. Such fluctuations may materially affect the Company's financial position and results.

Additional risk factors are set out in the Company's Annual Information Form.

ADDITIONAL INFORMATION

(1) Additional information may be found on SEDAR at www.sedar.com.

(2) Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans will be included in the information circular for the Company's next annual meeting of security holders.

(3) Additional information is provided in the Company's financial statements for the most recently completed financial reporting period and its Annual Information Form, both of which are available on SEDAR at www.sedar.com.