

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 ("the Company") for the three- and nine-month periods ended September 30, 2009 ("Q3/09" and "2009 YTD" respectively), with comparisons with the three- and nine-month periods ended September 30, 2008 ("Q3/08" and "2008 YTD" respectively). This MD&A should be read in conjunction with the Company's audited financial statements and related notes included therein for the year ended December 31, 2008.

The auditors of the Company have not performed a review of the unaudited interim financial statements for the three-month and nine-month periods ended September 30, 2009 and 2008.

The Company 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 November 24, 2009.

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. 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 November 24, 2009. 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 Strait Gold Corporation is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

EXECUTIVE SUMMARY

The focus of the Company's exploration program for much of 2009 YTD was on a generative program to identify promising gold and gold-copper projects, primarily in Peru. In September 2009, the Company entered into an option and royalty agreement in respect of the 2,593-hectare Alicia property, approximately 500 km southeast of Lima, Peru. The Company is preparing for a Phase 1 exploration program at this location.

In addition, during 2009 YTD the Company successfully worked with the local community and with government agencies in reaching agreement on and executing a closure plan at Culebrilla following the 2007 drill program. A closure report for Culebrilla was filed with Peruvian regulatory bodies in September 2009. Resolution of these issues positions the Company for a resumption of activities at Culebrilla and Letra Rumi South in the future.

The Company currently has cash of \$400,000. Cash requirements for the balance of 2009 and for the first quarter of 2010 are estimated at \$100,000 and \$200,000 respectively.

OVERVIEW

The Company was formed in 2003 as a mineral exploration and development company. The Company holds a 100% interest (subject to a 3% NSR) on two mineral properties in Peru: Letra Rumi South (copper-molybdenum-silver) and Culebrilla (precious metals). In addition, pursuant to an agreement reached in September 2009, the Company has the right to earn up to a 100% interest (subject to a 2% NSR) in the 2,593-hectare Alicia Property, also in Peru.

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 was delayed by negotiations regarding surface rights and closure issues arising out of the 2007 drilling program at Culebrilla. In October 2008, the Company signed agreements with the community of Ancoraca, which governs the surface rights for both Culebrilla and Letra Rumi South, that substantially resolve these outstanding property access and surface rights issues. The Company is now positioned to resume its exploration activities.

OVERALL PERFORMANCE

Generative Program

The focus of the Company's exploration program for much of 2009 YTD was on a generative program to identify promising gold and gold-copper projects, principally in southern Peru. The Company's objective is to identify early stage projects in which it can earn an interest by funding exploration work. During 2009 YTD, several confidentiality agreements were entered into, projects reviewed and site visits conducted. In September 2009, the Company entered into an option and royalty agreement with Panoro Minerals Ltd. that gives it the right to earn up to a 100% interest, subject to a 2% Net Smelter Return Royalty (the "Royalty"), in the 2,593-hectare Alicia property in the Department of Cusco, approximately 500 km southeast of Lima. Under the terms of the agreement, the Company can earn 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 Royalty for a one-time payment of US\$2.3 million within six months of earning a 100% interest. In October 2009, the Company engaged a Senior Geologist, based in Lima, to develop a Phase 1 exploration program at Alicia, consisting of community engagement, surface mapping/sampling and an induced polarization survey to identify drill targets.

Letra Rumi South

In 2008, a planned 1,500-metre drill program was postponed indefinitely because the Company did not have final approval from the local community to carry out the program. The property is 100% owned (subject to a 3% NSR) with no work commitments and holding costs are nominal. The recent resolution 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.

Culebrilla

For much of 2008 and 2009 YTD, 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 the 2007 drill program. Completion of this work took longer than expected in order to accommodate a request by the local community to have funds, originally intended for the reclamation of drill-access paths that have proven to be of benefit to the community, invested in a local aquaculture (fish-farm) project. Extensive negotiations, requiring considerable legal input and the engagement of a community relations consultant, resulted in the Company completing a formal agreement with the local community setting a value of Soles 51,000 for compensation payable in respect of the area disturbed by exploration activities and in respect of surface rights. The new fish-farm has been

transferred to the community and further rights of action against the Company have been waived. The Company completed the closure report for Culebrilla and filed it with Peruvian regulatory bodies in September 2009.

General

The world-wide economic downturn in 2008 had a significant negative impact on the mining industry. The availability of equity financing for junior exploration and development stage companies continues to be limited. The Company significantly curtailed its exploration activities for 2009 to conserve cash and implemented other cost-saving measures in response to these adverse conditions.

Operating activities in 2009 YTD required cash of \$563,091 (2008 YTD - \$461,846) and investing activities in 2009 YTD required cash of \$38,713 (2008 YTD - \$371,002). In total, cash requirements for 2009 YTD of \$601,804 were down 28% from the \$834,155 reported for 2008 YTD.

At September 30, 2009, cash and cash equivalents were \$576,812 and working capital was \$542,202. This represents a decline of approximately 51% from December 31, 2008, when the Company reported cash and cash equivalents of \$1,178,616 and working capital of \$1,180,610. The Company has no source of operating cash flows and its ability to meet its obligations and continue as a going concern depends on its ability to identify and complete future funding. While the Company has been successful in raising finance to date, there can be no assurance that it will continue to be able to do so in the future.

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.

Net losses for 2009 YTD and 2008 YTD were \$642,363 and \$407,386 respectively. The loss for 2009 YTD includes exploration costs of \$298,825, of which approximately \$195,000 relates to closure of the Culebrilla drilling program and related community agreements and \$84,000 to the generative program. Exploration costs expensed in 2008 YTD were \$49,540. The loss for 2009 YTD also includes \$36,025 in respect of the write-down of staking and tenure costs, previously included in deferred exploration costs, relating to two concessions in the Culebrilla property that were not renewed in June 2009. There was no comparable expense in 2008 YTD.

Administrative expenses for 2009 YTD are 22% lower than 2008 YTD, reflecting the Company's cost containment measures. This decrease was offset by an increase in exploration costs, reflecting the fact that exploration efforts have been directed to the generative program and to closure of the 2007 drilling program at Culebrilla.

During the periods under review, the Company did not have any full time employees. The Chief Executive Officer, the Chief Financial Officer and the Vice President Exploration were retained as independent contractors.

Three Months Ended September 30, 2009 and 2008

During Q3/09, the Company incurred a loss from operations of \$237,070 compared with a loss of \$105,627 in Q3/08.

The reduction in management fees from \$54,228 in Q3/08 to \$38,506 in Q3/09 reflects cut backs in compensation and staff hours at the Toronto and Lima offices. Professional fees in Q3/09 were \$41,846 compared with \$15,938 in Q3/08. The increase relates to the greater requirement for Peruvian counsel in negotiating the closure of the Culebrilla drilling program with the local community and with government agencies. Exploration costs of \$139,733 in Q3/09 are significantly up from the \$6,190 in Q3/08. Whereas in 2008 virtually all exploration costs were capitalized to mineral properties, during Q3/09 all exploration costs relating to the generative program and to the Culebrilla closure were expensed. There were no costs related to stock-based compensation in Q3/09, compared to

the \$8,913 for Q3/08, since stock options awarded in 2007 were fully amortized in 2008. Office and general expenses were \$12,340 for Q3/09 compared with \$19,675 for Q3/08, reflecting lower rental expense in Toronto and Lima and other cost containment measures.

Interest income for Q3/09 was \$2,986 compared with \$15,325 the previous year, reflecting the drawdown on short-term investments to fund ongoing operations and generally lower rates of interest.

Nine Months Ended September 30 2009 and 2008

The loss from operations for 2009 YTD was \$642,363 compared with a loss of \$407,386 for 2008 YTD.

Management fees for 2009 YTD were \$114,767 compared to \$156,645 in 2008 YTD, reflecting cut backs in compensation and staff hours at our Toronto and Lima offices. Professional fees in 2009 YTD were \$93,610 compared with \$72,421 in 2008 YTD. Legal fees relating to new exploration activities in Peru and financing activities in Canada were lower in 2009 YTD than in the previous year, but this was offset by substantial costs relating to Culebrilla closure activities in Q2/09 and Q3/09. Investor relations and travel expense in 2009 YTD was \$18,277 compared with \$32,663 in 2008 YTD. Exploration costs of \$298,825 in 2009 YTD have increased from \$49,540 in 2008 YTD. Expenses in 2009 YTD relate primarily to the generative program and to final remediation work relating to the Culebrilla drilling program, whereas in 2008 YTD most program costs were capitalized as deferred exploration expenses. There was no cost related to stock-based compensation in 2009 YTD, compared to the \$26,739 for 2008 YTD; stock options awarded in 2007 were fully amortized in 2008. Office and general expenses were \$59,844 for 2009 YTD compared with \$87,303 for 2008 YTD, reflecting lower rental expense in Toronto and Lima and other cost containment measures. Listing and regulatory fees for 2009 YTD were \$16,428 compared to \$17,818 in 2008 YTD. Interest income for 2009 YTD was \$12,335 compared with \$53,646 the previous year, reflecting the drawdown on short-term investments to fund ongoing operations and generally lower rates of interest.

Staking and tenure costs of \$36,025, previously included in the value of the Culebrilla property, were written down in 2009 YTD.

PROPERTIES

The Company holds a 100% interest in two mineral properties in the Department of Ancash, Peru: Letra Rumi South (copper-molybdenum-silver) and Culebrilla (precious metals). Letra Rumi South was staked by the Company but is contiguous with the Culebrilla property and therefore subject to certain terms of the original Culebrilla option agreement including a 3% NSR. In June 2009, the Company decided not to make the required payments to maintain its licenses in respect of the Rosa Mistica 10 and 60 concessions forming part of the Culebrilla property. The Company had not conducted drilling activities in these areas and had no plans for activities there. Accordingly, staking and tenure costs of \$36,025, previously included in deferred exploration costs, were written down at June 30, 2009.

On September 29, 2009 the Company announced that it has entered into an agreement with Panoro Minerals Ltd. giving it the option to earn up to a 100% interest in the Alicia copper-gold property located in the Department of Cusco, Peru.

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

Letra Rumi South Property

In 2006, the Company staked a 900-hectare mineral concession, referred to as the Letra Rumi South property, adjoining and to the south of the Culebrilla property. Mineralization at Letra Rumi South occurs in two distinct gossanous zones within 250 metres of each other. Zone 1 measures approximately 250 x 135 metres in area and

consists of strongly weathered clay-sericite-iron oxide altered breccia with locally preserved disseminated pyrite-chalcopyrite-magnetite mineralization. Zone 2 measures approximately 315 x 110 metres in area and consists of intense semi-conformable silica alteration with quartz-biotite crackle breccia hosting disseminated and fracture controlled pyrrhotite-pyrite-magnetite-chalcopyrite mineralization. The average grade of 182 surface samples collected to date in both zones is 0.1% copper. An 8.2-kilometre IP geophysical survey over the property identified three distinct chargeability anomalies, two of which are coincident with the two gossanous zones, and a third anomaly which occurs south of Zone 2. 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. Negotiations regarding surface rights delayed the submission of a drill-permit application and apart from camp construction and infill mapping, no further exploration activity was conducted in 2008 or in 2009 YTD. Cumulative expenditures to June 30 2009 on this property are \$104,964. The recent resolution of property access and surface rights issues in respect of Culebrilla positions the Company for resumption of work at Letra Rumi South provided we receive community approval for this activity.

Culebrilla Property

The Culebrilla property now consists of three contiguous mining claims totaling 2,193 hectares. The Company has been conducting exploration on this property since November 2003 and carried out a 1,300-metre drill program there in 2007.

Summary expenditure information on the Culebrilla Property is as follows:

	Cumulative to September 30		Cumulative to December 31	
	2009	2008	2008	2007
Acquisition	\$ 821,082	\$821,082	\$ 821,082	\$ 821,082
Deferred exploration expenses	1,066,469	983,228	1,045,529	962,914
Write downs	(978,626)	-	(942,601)	-
Total	\$ 908,925	\$1,804,310	\$ 924,010	\$ 1,783,996

Results from the 2007 program, which was focused on the Culebrilla 1, Culebrilla 2 and Rosa Mistica 20 concessions, were inconclusive. The Company did not conduct a drilling program at Culebrilla during 2008. As a consequence, \$942,601 of deferred exploration costs at Culebrilla were written down at December 31, 2008. Staking and tenure costs of \$36,025 associated with the Rosa Mistica 10 and 60 concessions were written down at June 30, 2009.

Alicia Property

The 2,593-hectare Alicia property is located in the Department of Cusco, approximately 500 km southeast of Lima, within the prolific Andahuaylas-Yauri porphyry copper and skarn belt which is host to several world-class deposits. Exploration at the property in 2000 defined nine surface skarn zones with high-grade copper and significant gold-silver-molybdenum over substantial widths. Check sampling of select trenches by the Company's geologists during a site visit in 2009 returned comparable values to historic sampling. The property was subject to a three-hole, 1,053-metre diamond drill campaign in 2003 by a previous owner that targeted porphyry copper mineralization within the intrusive body. The Company plans a Phase 1 exploration program, including surface mapping and sampling and an induced polarization geophysical survey, to identify drill targets followed by a drill program to test for economic mineralization at depth.

Under the terms of the option and lease agreement with Panoro Minerals Ltd. , the Company can earn 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 first 100,000 shares were issued upon signing with further payments on the first, second and third anniversary dates with the anniversary date established as the date a community agreement to allow drilling is reached but no later than 18 months from signing. Panoro will retain a 2% net smelter return royalty, half of which the Company can purchase for a one-time payment of US\$2.3 million within six months of earning a 100% interest.

If the Company does not earn the 100% interest but issues a minimum of 600,000 shares and incurs a minimum of \$650,000 in work expenditures within two years, the Company will earn a 55% interest.

Other Properties

In 2007, the Company signed option agreements for mineral rights on the Pallcamachay and San Jorge properties in Peru. In view of results from initial exploration at Pallcamachay and unsatisfactory community relations at San Jorge, the Company terminated these option agreements in 2008 and wrote down the related deferred exploration costs of \$404,882. The Anna Rose claims were staked in 2007 to protect the San Jorge and Pallcamachay properties and were abandoned in 2008. The Vera Luz claims near the Culebrilla property were staked in 2006 and, after the results from initial prospecting proved negative, were abandoned in 2008.

Project Plans and Outlook

Management believes that the current global economic climate provides an opportunity to acquire interests in attractive exploration properties at reasonable prices. Accordingly, in 2008, the Company initiated a generative exploration program to identify early- to mid-stage projects in Peru that are gold and/or copper dominant and which may be available for acquisition, option or joint venture. The Alicia property is the first tangible result of this process and gives the Company the opportunity to rapidly drill-test wide zones of high-grade skarn mineralization. The Company plans a Phase 1 exploration program, including surface mapping and sampling and an induced polarization geophysical survey to identify drill targets followed by a drill program to test for economic mineralization at depth.

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 diamond drill program is proposed to test the down-dip continuity of the mineralized gossans and corresponding geophysical anomalies. The program has been postponed pending a satisfactory community agreement to proceed. The recent resolution of the property access and surface rights issues in relation to the Culebrilla drilling program positions the Company to reopen discussions with a view to moving forward with this project.

The Company's plans also call for the completion of further surface sampling and mapping at Culebrilla, particularly the mineralized zone known as Letra Rumi North where sampling of two prominent vein sets, one of which has been traced continuously for a kilometre on surface, returned up to 8.4% Cu with 304 g/t Ag and 0.8 g/t Au (single grab sample) and 1.3% Cu with 73 g/t Ag and 0.8 g/t Au over 1.3 m (chip sample).

LIQUIDITY

At September 30, 2009, the Company had cash and cash equivalents of \$576,812 compared to \$1,178,616 at December 31, 2008. Working capital at September 30, 2009 was \$542,202 compared with \$1,180,610 at December 31, 2008. Currently, cash and cash equivalents are \$400,000.

The recent economic downturn created a difficult financing environment for junior mining exploration companies for much of 2009 YTD. The Company scaled back its exploration budget for the year, focused its efforts on a generative program to identify additional exploration projects, and implemented a range of cost saving measures. While the Company has sufficient liquidity to fund its planned activities for the balance of 2009 and for the first quarter of 2010, including the pre-drilling aspects of the Phase 1 program at Alicia, it will require further financing to carry out its plans thereafter. The Company's ability to raise further financing is dependent on market conditions.

Capital Resources

The Company currently has cash of approximately \$400,000. Approximately \$100,000 will be used during the balance of 2009 for exploration and for administration and a further approximately \$200,000 will be used in the first quarter of 2010. Included in the 2009 spending is approximately \$25,000 for the pre-drilling aspects of the Phase 1 exploration program at Alicia. Further spending of approximately \$175,000 will be required at Alicia before drilling

can start during Q2/10. The Company does not have any other commitments to maintain its interests in its mineral properties.

OUTSTANDING SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As of the date of this MD&A the Company's issued and outstanding common shares, stock options and warrants are as follows:

	<u>Exercise Price \$</u>	<u>Expiry Date</u>	<u>Outstanding</u>
Common shares			23,021,436
Stock options	0.40	Nov. 28, 2011	1,170,000
Stock options	0.14	Dec.18, 2012	575,000

OFF-BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements at September 30, 2009 and December 31, 2008, or at the date of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

During the nine month period ended September 30, 2009, the Company entered into the following transactions with related parties:

- a) \$81,000 (2008 - \$105,000) was paid for Chief Executive Officer and administrative services to a firm in which a director is a principal;
- b) \$17,540 (2008 - \$22,500) was paid for financial management services to a firm in which an officer is a principal; and
- c) \$21,808 (2008 - \$37,952) was paid for legal fees to 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

Goodwill and Intangible Assets

In February 2008, the CICA issued new Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The Section also issued amendments to Section 1000, "Financial Statement Concepts". These changes are effective for fiscal years beginning on or after October 1, 2008, and were adopted by the Company effective January 1, 2009. The objectives of the changes are to reinforce a principles-based approach to the recognition of costs as assets and to clarify the application of the concept of matching revenues and expenses in Section 1000. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards and U.S. GAAP by eliminating the practice of recognizing as assets a variety of startup, preproduction and similar costs that do not meet the definition and recognition criteria of an asset. The adoption of the foregoing accounting policy has had no effect on the reported net loss of the Company.

Mining Exploration Costs

In March 2009, the Emerging Issues Committee of the CICA issued EIC-174 "Mining Exploration Costs" providing additional guidance on when exploration costs relating to mining properties may be capitalized and, if exploration

costs are initially capitalized, when should impairment be assessed to determine whether a write-down is required and what conditions indicate impairment. In particular, EIC-174 states that a significant adverse change in business climate may impact a mining exploration enterprise's ability to raise financing to continue exploration or to develop a property. If the company does not have sufficient financing (or the ability to get financing in the necessary time frame) to undertake work or expenditure commitments required in order to hold its interest in a property, then this would be an indicator that the property should be tested for impairment. This accounting treatment is applicable to the Company's financial statements issued after March 27, 2009.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("Board") published a new strategic plan that will significantly affect reporting requirements for Canadian public companies. The plan outlines the convergence of Canadian Generally Accepted Accounting Principles ("GAAP") with International Financial Reporting Standards ("IFRS") over an expected five year period. In February 2008, the Board announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

Since the Company is still in the exploration stage, it has not yet adopted a number of accounting policies that would be relevant to a development stage or production company. If and when these become relevant, the Company will adopt IFRS as an initial policy rather than a change from existing policies to IFRS.

The Company's has developed an IFRS implementation plan covering analysis and identification of possible changes in accounting policies, solution development and implementation. Management has identified the major areas of possible impact of IFRS on the Company as deferred exploration costs and impairment of capital assets. Management believes that the Company's current accounting treatment of these items will not be impacted by the transition to IFRS. Since the Company is still in the exploration stage and does not have revenues, inventories, production plant and equipment and material values of financial instruments, appropriate accounting policies under IFRS will be adopted as and when these become relevant to the Company's circumstances.

The Company's information technology and accounting systems are currently geared to Canadian GAAP reporting. Based on its current assessment, Management does not foresee any difficulty in adjusting accounting routines and financial disclosures to IFRS.

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

Our 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 of our 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 Corporation is not exposed to significant interest rate, currency or credit risks arising from financial instruments. We do not have major commitments to acquire assets in foreign currencies at this time, but in the event of successful future financings we expect 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 \$16,600.

OUTLOOK

Further work at Letra Rumi South, including drilling, is dependant on various factors, including securing final approvals from the local community to carry out our drill program. Ongoing exploration on the Culebrilla property will include further mapping and sampling of the Letra Rumi North copper-silver-gold veins. The Phase 1 exploration program to identify drilling targets at Alicia is planned for the balance of 2009 and the first quarter of 2010. An active drilling program will not be started until all required permits and appropriate community approvals have been obtained. .

Pending developments at Letra Rumi South, Culebrilla and Alicia, we will maintain our focus on a generative program to expand our property portfolio with a particular emphasis on gold and copper-gold projects in southern Peru.

RISK FACTORS

There are several risks that could affect our business prospects.

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

The exploration and development of the Company's properties will require substantial additional financing. Failure to obtain sufficient financing will result in the delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interests. The Company will require additional funding to acquire 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 of the Company, control of the Company may change and security holders may suffer dilution.

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. The Company's 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

Additional information is provided in, among other documents, the Company's financial statements for the most recently completed financial reporting period, the information circular for its most recent annual meeting of shareholders and its Annual Information Form, all of which can be found on SEDAR at www.sedar.com.