

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-month periods ended March 31, 2010 and 2009 ("Q1/10" and "Q1/09" respectively). This MD&A should be read in conjunction with the audited financial statements and related notes included therein for the year ended December 31, 2009 and the unaudited interim financial statements for the three-month periods ended March 31, 2010 and 2009. The auditors of the Company have not performed a review of the unaudited interim financial statements for the three-month periods ended March 31, 2010 and 2009. 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 May 26, 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 May 26, 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.

The Company's ongoing generative exploration program resulted in the Company entering into an agreement in September 2009 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 began planning a two-phase exploration program that includes approximately 1,000 metres of drilling. In late 2009 and early 2010, the Company raised approximately \$300,000, net of costs, through private placements of common shares to fund this program. On February 19, 2010 the Company initially signed an agreement with the community of Cancahuani in order to secure the surface rights to the land subject to the proposed exploration program. Execution and formalization of the agreement with all members of the community was completed on April 26, 2010. The agreement requires the Company to provide financial support to community projects over a two year period to a value of approximately \$12,000 and to provide compensation for disturbed areas in an amount to be negotiated on termination of the program. The Company is in process of obtaining drilling permits and preparing to execute on the program.

In addition to the Alicia property, the Company owns 100% of the Culebrilla and the adjoining Letra Rumi South properties in the Department of Ancash, approximately 250 km north of Lima. In 2009, the Company completed rehabilitation efforts relating to a 2007 drill program at Culebrilla and fulfilled its obligations to the local community. Its carrying costs for both properties are limited to annual licence fees. The Company has postponed further work on Culebrilla and Letra Rumi South while it focuses on the Alicia property.

The Company reported a net loss of approximately \$207,000 in Q1/10 compared to \$153,000 in Q1/09. The increased loss relates primarily to stock based compensation and an exchange loss arising from conversion of the Peruvian subsidiary financial statements, both of which are non-cash items. Professional fees and investor relations expenses were higher than in the prior year.

During the remaining months of 2010, the Company plans to complete the first phase of its exploration program at Alicia and raise additional 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; agreement has been reached with the local community regarding access and surface rights in advance of a drilling program and an application for a drilling permit, which includes baseline environmental studies, is being prepared.

Under the terms of the Option and Mining Lease Agreement (the "Panoro Agreement") with Panoro Apurimac S.A. ("Panoro"), in order to secure a 55% interest in the Alicia property, the Company is required to: (a) issue 200,000 and 300,000 common shares, respectively, to Panoro on the first and second anniversaries of the execution of the public deed resulting from the Community Agreement; and (b) carry out work expenditures of US\$150,000 and US\$500,000, respectively, at the Alicia property, by the first and second anniversaries of the execution of the public deed. Accordingly, the Company intends to issue 200,000 common shares to Panoro on February 19, 2011 and spend US\$150,000 on the Alicia property by February 19, 2011, being the first anniversary of the signing of the public deed.

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 its planned exploration program at Alicia. Further equity financing will be required to conduct additional exploration.

OVERALL PERFORMANCE

The current focus of the Company's exploration program is on the Alicia property which was identified through the Company's ongoing 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. In February 2010 the Company initially signed an agreement with the local community regarding access, surface rights and compensation for disturbed areas on closure. Registration of all community members has since taken place and execution and formalization of the agreement was concluded on April 26, 2010. 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.

The Company is continuing with its generative program to identify and evaluate mineral exploration targets, principally in southern Peru.

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 March 31, 2010, the Company's cash and cash equivalents was \$461,637 and working capital was \$427,334. This compares with cash and cash equivalents of \$569,271 and working capital of \$564,066 at December 31, 2009. 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. Prior to 2008, the Company's losses related almost entirely to administrative expenses. At year end 2008, the Company wrote down approximately \$1.4 million of costs previously capitalized to properties in which the Company relinquished its interest or where further exploration plans were put on hold. In the second quarter of 2009, the Company wrote down a further approximately \$36,000 of deferred costs relating to relinquished exploration concessions.

Net loss from operations for Q1/10 and Q1/09 was \$207,231 and \$152,984 respectively. The increase in the loss for Q1/10 over the prior year relates primarily to stock-based compensation and a foreign exchange conversion loss, both of which are non-cash items. The losses for Q1/10 and Q1/09 included \$34,504 and \$57,331, respectively, for exploration costs. These costs were primarily related to closure activities at Culebrilla and to the generative program. Costs relating to the Alicia project have been deferred and capitalized since September 2009. 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.

Three Months Ended March 31, 2010 and 2009

During Q1/10, the Company incurred a loss from operations of \$207,231 compared with a loss of \$152,984 in Q1/09.

Management fees were consistent at approximately \$39,000 in both periods, reflecting cut backs in compensation and staff hours at our Toronto and Lima offices. Professional fees in Q1/10 were \$26,577 compared with \$12,695 in Q1/09. Legal fees are higher because of the involvement of Lima counsel in finalizing the closure settlement with the Culebrilla local community. The increase in investor relations and travel expense to \$20,760 in Q1/10 from \$9,497 in Q1/09 reflects the engagement of a consultant to provide market liquidity services. Exploration costs of \$34,504 in Q1/10 are down from the \$57,331 in Q1/09; in 2010 the focus of exploration efforts has been Alicia, whereas in 2009 the focus was on the generative program and closure of Culebrilla. Stock based compensation expense for Q1/10 was \$34,785, reflecting amortization of the cost attributable to the award of options to directors, officers and consultants in January 2010. There was no similar amortization in Q1/09. Office and general expenses were \$15,986 for Q1/10 compared with \$17,962 for Q1/09, reflecting lower rental expense in Toronto and Lima and other cost containment measures. The lower charge for listing and regulatory fees in Q1/10 of \$5,000 as compared with \$16,428 in Q1/09 reflects the fact that the Company paid filing fees to provincial securities commissions earlier in 2009 than in the current year.

Other expense for Q1/10 includes a \$25,748 foreign exchange losses arising primarily from conversion of the Company's Peruvian subsidiary's financial statements from local currency to Canadian dollars.

Summary of Quarterly Results

	Quarter Ended			
	March 31, 2010	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009
Revenues	\$ -	\$ -	\$ -	\$ -
Net loss	207,231	135,264	237,070	252,309
Basic and Diluted Loss per Share	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01

	Quarter Ended			
	March 31, 2009	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008
Revenues	\$ -	\$ -	\$ -	\$ -
Net loss	152,984	1,489,953	105,627	150,060
Basic and Diluted Loss per Share	\$ 0.01	\$ 0.06	\$ 0.00	\$ 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

Three Months Ended March 31, 2010 and 2009

During Q1/10 and Q1/09, deferred and capitalized expenditures on mineral properties were \$75,891 and \$1,257, respectively. There were no write downs in either of these periods.

Years Ended December 31, 2009 and 2008

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 the Company 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 cumulative expenditure information on the Alicia property is as follows:

	March 31, 2010	December 31, 2009
Acquisition	\$ 6,500	\$ 6,500
Deferred exploration expenses	137,971	62,080
Total	\$ 144,471	\$ 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. In 2009, the Company renounced its interest in five 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. All costs in connection with closure have been expensed.

Summary cumulative expenditure information on the Culebrilla property is as follows:

	Cumulative to March 31, 2009	Cumulative to Dec. 31, 2009
Acquisition	\$ 821,082	\$ 821,082
Deferred exploration expenses	1,066,469	1,066,469
Write downs	(978,626)	(978,626)
Total	<u>\$ 908,925</u>	<u>\$ 908,925</u>

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.

In May 2010, the Company reported that it had signed a community agreement to start drilling the Alicia property. The Company is in process of obtaining the necessary drilling permits and regulatory approvals.

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.

The Company has identified the location for 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). Regional anomalies at Culebrilla will also be followed up, including a molybdenum stream sediment anomaly extending over more than 1.2 km on the western half of the property. Work at Culebrilla has been postponed while the Company focuses its efforts on the Alicia property.

LIQUIDITY

March 31, 2010

After raising approximately \$202,000 net of commissions and expenses in late 2009 through the private placement of common shares and warrants, in January 2010, the Company raises a further approximately \$111,000 through the private placements of common shares and warrants. At March 31, 2010, the Company had cash and cash equivalents of \$461,637 compared to \$569,271 at December 31, 2009. Working capital at March 31, 2010 was \$427,334 compared with \$564,066 at December 31, 2009.

In order to secure its 55% interest in the Alicia property under the Panoro Agreement, the Company intends to carry out work expenditures of US\$150,000 by February 19, 2011 and a further and US\$500,000 in the year thereafter.

While the Company has sufficient liquidity to fund its exploration program at Alicia to February 19, 2011, 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 \$300,000 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
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(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
			<u>2,165,000</u>

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 three month period ended March 31, 2010, the Company entered into the following transactions with related parties:

- payment of \$27,000 (2009 - \$27,000) in respect of management and administrative services to Borland Levand & Associates, a firm in which a director is a principal
- payment of \$5,920 (2009 - \$8,500) in respect of financial management services to Graham L. Desson Consulting Inc., a firm in which an officer is a principal; and
- payment of legal fees of \$5,486 (2009 - \$4,949) 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

Not Applicable.

FUTURE CHANGES IN ACCOUNTING POLICIES

Convergence with International Financial Reporting Standards (“IFRS”)

In 2008, the Canadian Accounting Standards 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 prepared a plan to give effect to this transition, including the 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. In its preliminary assessment, management identified the accounting treatment of deferred exploration costs and asset impairments as possible areas of divergence between IFRS and Canadian GAAP. However, management believes that it can continue with its current approach to accounting for these items and that no material change in reported financial results will result from the introduction of IFRS. The Company will continue to update its Management Discussion and Analysis disclosures throughout 2010 to reflect specific actions taken to facilitate changeover to IFRS effective January 1, 2011.

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 believes that adoption of this standard will not have any material impact 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 believes that adoption of this standard will not have any material impact 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 made excellent progress in reaching agreement with the local community for future exploration activities. The community agreement that was finalized on April 26, 2010 sets out a framework for cooperation between the Company and the community and establishes amounts to be contributed by the Company to projects for the betterment of the community. 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, copper and silver. Gold 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 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.

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.
- (4) The qualified person responsible for the technical information included in the Management Discussion and Analysis is Roger Moss, Ph.D., P.Geo., a Director of the Company.