

STRAIT GOLD CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2009

STRAIT GOLD CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

As at:

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
ASSETS		
Current		
Cash and cash equivalents <i>(Note 3)</i>	\$ 576,812	\$ 1,178,616
Receivables and prepaid expenses <i>(Note 3)</i>	<u>28,140</u>	<u>40,811</u>
	604,952	1,219,427
Fixed assets, net of depreciation <i>(Note 5)</i>	11,854	18,498
Mineral properties <i>(Note 4)</i>	1,024,127	1,021,438
	<u>\$ 1,640,933</u>	<u>\$ 2,259,363</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 62,750	\$ 38,817
Commitments and contingencies <i>(Note 12)</i>		
SHAREHOLDERS' EQUITY		
Capital stock <i>(Notes 6 and 7)</i>	4,049,713	4,049,713
Contributed surplus <i>(Note 8)</i>	1,228,082	1,228,082
Deficit	<u>(3,699,612)</u>	<u>(3,057,249)</u>
	1,578,183	2,220,546
	<u>\$ 1,640,933</u>	<u>\$ 2,259,363</u>

The accompanying notes form an integral part of these consolidated financial statements.

STRAIT GOLD CORPORATION

**CONSOLIDATED STATEMENTS OF LOSS
AND COMPREHENSIVE LOSS
(UNAUDITED)**

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Expenses				
Management fees <i>(Note 10)</i>	\$ 38,506	\$ 54,228	\$ 114,767	\$ 156,645
Professional fees <i>(Note 10)</i>	41,846	15,938	93,610	72,421
Investor relations and travel	4,800	7,998	18,277	32,663
Exploration costs	139,733	6,190	298,825	49,540
Stock based compensation <i>(Note 7)</i>	-	8,913	-	26,739
Directors' fees and expenses	-	1,500	8,714	9,754
Office and general	12,340	19,675	59,844	87,303
Listing and regulatory fees	-	3,518	16,428	17,818
Depreciation	2,215	2,214	6,643	5,396
	<u>239,480</u>	<u>120,174</u>	<u>617,108</u>	<u>458,279</u>
Other (income) expense				
Write down of mineral properties	-	-	36,025	-
Exchange loss	576	778	1,565	2,753
Interest income	(2,986)	(15,325)	(12,335)	(53,646)
	<u>(2,410)</u>	<u>(14,547)</u>	<u>25,255</u>	<u>(50,893)</u>
Net loss and comprehensive loss for the period	<u>\$ 237,070</u>	<u>\$ 105,627</u>	<u>\$ 642,363</u>	<u>\$ 407,386</u>
Weighted average number of common shares outstanding - basic and diluted	23,021,436	23,021,436	23,021,436	23,021,436
Loss per share - basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ 0.03</u>	<u>\$ 0.03</u>

CONSOLIDATED STATEMENTS OF DEFICIT

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Deficit, beginning of period	\$ 3,462,542	\$ 1,461,669	\$ 3,057,249	\$ 1,159,910
Net loss for the period	237,070	105,627	642,363	407,386
Deficit, end of period	<u>\$ 3,699,612</u>	<u>\$ 1,567,296</u>	<u>\$ 3,699,612</u>	<u>\$ 1,567,296</u>

The accompanying notes form an integral part of these consolidated financial statements.

STRAIT GOLD CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Operations				
Net loss for the period	\$ (237,070)	\$ (105,627)	\$ (642,363)	\$ (407,386)
Add: items not requiring an outlay of cash:				
Stock based compensation	-	8,913	-	26,739
Depreciation	2,215	2,214	6,643	5,396
Write down of mineral properties	-	-	36,025	-
Net change in non-cash working capital items <i>(Note 8)</i>	11,926	(48,800)	36,604	(86,595)
Total cash used for operations	<u>(222,929)</u>	<u>(143,300)</u>	<u>(563,091)</u>	<u>(461,846)</u>
Investing				
Fixed asset additions	-	-	-	(18,277)
Expenditures on mineral properties	(12,473)	(133,246)	(38,713)	(352,725)
Total cash used for investing	<u>(12,473)</u>	<u>(133,246)</u>	<u>(38,713)</u>	<u>(371,002)</u>
Financing				
Financing costs	-	-	-	(1,307)
Net change in cash and cash equivalents for the period	(235,402)	(276,546)	(601,804)	(834,155)
Cash and cash equivalents, beginning of the period	812,214	1,645,635	1,178,616	2,203,244
Cash and cash equivalents, end of the period	<u>\$ 576,812</u>	<u>\$ 1,369,089</u>	<u>\$ 576,812</u>	<u>\$ 1,396,089</u>

The accompanying notes form an integral part of these consolidated financial statements.

STRAIT GOLD CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009

1. Nature of operations and going concern

Strait Gold Corporation (“Strait Gold” or the “Company”) was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on March 7, 2003. The primary business of Strait Gold is the acquisition of, exploration for and development of mineral properties. Other than earning interest income on its invested funds, Strait Gold has not earned revenue to date and is considered to be in the development stage.

The Company has reviewed ownership of its mineral interests and, to the best of its knowledge, ownership of its interests is in good standing.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration will result in profitable mining operations. As at September 30, 2009, Strait Gold has no source of operating cash flows. The Company’s ability to meet its obligations and continue as a going concern is dependent on management’s ability to identify and complete future financings. While Strait Gold has been successful in raising financing to date, there can be no assurance that it will be able to do so in future.

These financial statements have been prepared using Canadian Generally Accepted Accounting Principles applicable to a going concern and do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the going concern assumption was not appropriate.

2. Basis of presentation and significant accounting policies

a) Basis of presentation

The unaudited interim consolidated financial statements of Strait Gold Corporation have been prepared by management in accordance with Canadian GAAP. The financial statements include the accounts of the Company and its wholly owned Peruvian subsidiary, Minera Strait Gold Peru S.A.C. (“MSG Peru”).

The preparation of these unaudited interim consolidated financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2008, except for those items noted below.

The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the year ended December 31, 2008.

b) Changes in accounting policies

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, with earlier adoption permitted, 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 Company’s management has determined that adoption of the new standards will not have a significant effect on the Company’s financial statements.

c) 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 currently applicable to the Company's financial statements.

d) Future accounting changes

International Financial Reporting Standards

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. 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. Management continues to monitor developments in connection with the introduction of IFRS and the CFO has attended education courses regarding implementation issues and strategies for mining companies.

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.

3. Financial instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments:

	September 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents ⁽¹⁾	\$ 576,812	\$ 576,812	\$ 1,178,616	\$ 1,178,616
Receivables ⁽²⁾	21,780	21,780	7,876	7,876
Financial Liabilities				
Accounts payable ⁽³⁾	\$ 62,750	\$ 62,750	\$ 38,817	\$ 38,817

(1) Cash and cash equivalents are designated as held for trading and are recorded at market value.

(2) Receivables relate primarily to interest receivable on short term bank deposits. They are designated as held for trading and are recorded at market value.

(3) Accounts payable are all short term in nature and are designated as held for trading and are recorded at market value.

The Company is exposed to various credit and market risks associated with its financial instruments. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Market risk comprises currency risk, interest rate risk and other price risk.

The Company manages these risks as follows:

- Cash and cash equivalents - With the exception of relatively minor amounts sent on a regular basis to Peru and held there to fund the ongoing operations of the Company, cash and cash equivalents are on deposit with a major Canadian chartered bank and are not considered to be at risk. The functional currency of the Company is the Canadian dollar. Cash held in other currencies is limited to amounts required to settle immediate obligations in US dollars or Peruvian soles.
- Accounts payable and accrued liabilities - The exposure to market risk relates to changes in exchange rates. The Company does not hedge its future expenditures in Peruvian soles because it believes that there is a degree of correlation between the Canadian and Peruvian currencies based on the significance of mineral resources to both economies, and because the Company is unable to predict with any certainty when future obligations will be met.

4. Mineral properties

The Company's principal mineral properties, Culebrilla and Letra Rumi South, are located in the Department of Ancash, Peru. In September 2009, the Company acquired the Alicia property in the Department of Cusco, Peru.

Cumulative expenditures on the properties are set out below.

	Balance December 31, 2008	Spending during 9 months to September 30, 2009	Write down during 9 months to September 30, 2009	Balance September 30, 2009
Culebrilla				
Finder's fees	\$ 80,000	\$ -	\$ -	\$ 80,000
Option payments	741,082	-	-	741,082
Staking and tenure	102,928	20,940	(36,025)	87,843
<i>Total – Culebrilla</i>	<i>924,010</i>	<i>20,940</i>	<i>(36,025)</i>	<i>908,925</i>
Letra Rumi South	97,428	7,536	-	104,964
Alicia	-	10,238	-	10,238
Total	\$ 1,021,438	\$ 38,714	\$ (36,025)	\$ 1,024,127

Culebrilla Property

MSG Peru holds a 100% interest, subject to a 3% Net Smelter Returns Royalty (the "Culebrilla Royalty"), in Mining Claims Culebrilla 1 and Rosa Mistica 20 and 30 (collectively the "Culebrilla Property"). The Company has the right to buy back two-thirds of the Culebrilla Royalty at any time for the sum of US\$1.0 million for each 1% of Royalty.

Letra Rumi South Property

MSG Peru holds a 100% interest in the Letra Rumi South property, which is contiguous to the Culebrilla Property and subject to the Culebrilla Royalty.

Alicia Property

MSG Peru has entered into an agreement that gives it 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. 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 Alicia Royalty for a one-time payment of US\$2.3 million within six months of earning a 100% interest.

5. Fixed assets

	September 30, 2009	December 31, 2008
Office equipment at cost	\$ 26,550	\$ 26,550
Accumulated depreciation	(14,697)	(8,052)
Net fixed assets	<u>\$ 11,854</u>	<u>\$ 18,498</u>

6. Capital stock

Authorized:

Unlimited number of common shares

Issued common shares:

	# of Shares	Value
At December 31, 2008 and September 30, 2009	<u>23,021,436</u>	<u>\$ 4,049,713</u>

7. Options and warrants

Common share warrants

A summary of the Company's warrants at September 30, 2009 and at December 31, 2008 and of the changes for the periods then ended is presented below:

	Warrants Outstanding	Weighted Average Exercise Price
At December 31, 2007	7,826,000	\$ 0.43
Expired	(7,826,000)	0.43
Issued	800,000	0.60
At December 31, 2008	800,000	\$ 0.60
Expired	(800,000)	0.60
At September 30, 2009	<u>nil</u>	<u>nil</u>

Options

Incentive stock options

The Company has an incentive stock option plan for directors, officers, key employees and consultants. The option price is determined by the Compensation Committee of the Board of Directors and is not less than the closing price of the Company's common shares on the date prior to the date of the grant. The terms of the options may not exceed five years and are subject to earlier expiry upon the termination of employment. Under the terms of the plan, options vest in two equal installments on the date of grant and the first anniversary thereof.

No incentive stock options were issued during the periods ended December 31, 2008, and September 30, 2009.

A summary of the Company's incentive stock options outstanding at December 31, 2008 and September 30, 2009 and of the changes for the periods then ended is presented below:

	Stock Options Outstanding	Weighted Average Exercise Price
At December 31, 2007	1,745,000	\$ 0.31
Granted, exercised or expired	-	-
At December 31, 2008 and September 30, 2009	<u>1,745,000</u>	<u>\$ 0.31</u>

The following table summarizes certain information about stock options outstanding at September 30, 2009:

Exercise Price	Stock Options Outstanding and Exercisable	Remaining Contractual Life
\$0.40	1,170,000	2.3 years
\$0.14	575,000	3.5 years

Fully diluted shares outstanding and loss per share

As a result of net losses in each of the periods, the potential effect of exercising stock options and warrants has not been included in the calculation of loss per share because to do so would be anti-dilutive.

8. Contributed surplus

Balance December 31, 2007	\$ 393,340
Stock based compensation expense in 2008	34,284
Transferred to contributed surplus on exercise/expiry of warrants	<u>800,458</u>
Balance December 31, 2008, and September 30, 2009	<u>\$ 1,228,082</u>

9. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to it, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish the quantitative return on capital criteria for management, but relies on the expertise of management to sustain the future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administration costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in new properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

There was no change in the Company's approach to capital management during the year ended December 31, 2008 and the period ended September 30, 2009 compared to the year ended December 31, 2007. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

10. Related party transactions

Included under management fees for the nine months ended September 30, 2009, is \$81,000 (2008 - \$69,000) in respect of fees for management and administrative services paid to a firm in which a director is a principal, and \$17,540 (2008 - \$22,500) in respect of fees for financial consulting services paid to a firm in which an officer is a principal.

Included under professional fees for the nine months ended September 30, 2009, is \$21,808 (2008 - \$37,952) in respect of legal fees paid or payable 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.

11. Supplemental cash flow information

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Net change in non-cash working capital items:				
Receivables and prepaid expenses	\$ 12,099	\$ 444	\$ 12,671	\$ (45,640)
Accounts payable and accrued liabilities	(173)	(49,244)	23,933	(40,955)
	<u>\$ 11,926</u>	<u>\$ (48,800)</u>	<u>\$ 36,604</u>	<u>\$ (86,595)</u>

12. 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.

13. Subsequent event

On October 2, 2009, the Company issued 100,000 common shares with an aggregate value of \$7,000 to Panoro Minerals Ltd. in payment of the first installment of consideration in respect of the acquisition of the option to earn up to a 100% interest in the Alicia property.