

STRAIT GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

Notice to Reader

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

STRAIT GOLD CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

As at:

	March 31, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents <i>(Note 3)</i>	\$ 461,637	\$ 569,271
Prepaid expenses and GST receivable	36,428	44,055
Other receivables <i>(Note 3)</i>	11,953	2,590
	510,018	615,916
Fixed assets, net of depreciation <i>(Note 5)</i>	9,039	9,640
Mineral properties <i>(Note 4)</i>	1,158,383	1,082,493
	\$ 1,677,440	\$ 1,708,049
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 82,684	\$ 51,850
<i>Commitments and contingencies (Note 14)</i>		
SHAREHOLDERS' EQUITY		
Capital stock <i>(Notes 6 and 7)</i>	4,369,346	4,258,343
Contributed surplus <i>(Note 8)</i>	1,267,517	1,232,732
Deficit	(4,042,107)	(3,834,876)
	1,594,756	1,656,199
	\$ 1,677,440	\$ 1,708,049

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

STRAIT GOLD CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF LOSS
AND COMPREHENSIVE LOSS
(UNAUDITED)

	Three months ended	
	March 31,	
	<u>2010</u>	<u>2009</u>
Expenses		
Management fees <i>(Note 10)</i>	\$ 39,124	\$ 39,967
Professional fees <i>(Note 10)</i>	26,577	12,695
Investor relations and travel	20,760	9,497
Exploration costs	34,504	57,331
Stock based compensation <i>(Note 7)</i>	34,785	-
Directors' fees and expenses	2,500	1,500
Office and general	15,986	17,962
Listing and regulatory fees	5,000	16,428
Depreciation	2,361	2,214
	<u>181,597</u>	<u>157,594</u>
Other (income) expense		
Exchange (gain) loss	25,748	448
Interest income	(114)	(5,058)
	<u>25,634</u>	<u>(4,610)</u>
Net loss and comprehensive loss for the period	<u><u>207,231</u></u>	<u><u>152,984</u></u>
Weighted average number of common shares outstanding - basic and diluted	<u>24,039,018</u>	<u>23,021,436</u>
Loss per share - basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.01</u>

	Three months ended	
	March 31,	
	<u>2010</u>	<u>2009</u>
Deficit, beginning of period	\$ 3,834,876	\$ 3,057,249
Net loss for the period	207,231	152,984
Deficit, end of period	<u><u>\$ 4,042,107</u></u>	<u><u>\$ 3,210,233</u></u>

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

STRAIT GOLD CORPORATION

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)**

	Three months ended March 31,	
	2010	2009
Cash was provided by (used in) the following activities:		
Operations		
Net loss for the period	\$ (207,231)	\$ (152,984)
Add: items not requiring an outlay of cash:		
Stock-based compensation	34,785	-
Foreign exchange translation loss	22,106	-
Depreciation	2,361	2,214
Net change in non-cash working capital items <i>(Note 12)</i>	(2,179)	4,817
	(150,158)	(145,953)
Investing		
Fixed asset additions	(1,760)	-
Expenditures on mineral properties	(66,719)	(1,257)
	(68,479)	(1,257)
Financing		
Issuance of common shares and warrants	111,003	-
Net change in cash and cash equivalents for the period	(107,634)	(147,210)
Cash and cash equivalents, beginning of the period	569,271	1,178,616
Cash and cash equivalents, end of the period	\$ 461,637	\$ 1,031,406

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

STRAIT GOLD CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

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 in Peru. 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 investigated 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. March 31, 2010, 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 (“Canadian GAAP”) 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, 2009, except for those items noted below.

The unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company’s audited financial statements for the year ended December 31, 2009.

(b) 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.

3. Financial instruments

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

	March 31, 2010		December 31, 2009	
	Carrying Value	Carrying Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents ⁽¹⁾	\$ 461,637	\$ 461,637	\$ 569,271	\$ 569,271
Other receivables ⁽²⁾	11,953	11,953	2,590	2,590
Financial Liabilities				
Accounts payable ⁽³⁾	82,684	82,684	51,850	51,850

- (1) Cash and cash equivalents are designated as held for trading and are recorded at market value
- (2) Other receivables include interest receivable on short term bank deposits. Such items 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 remitted to Peru 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.

The effect of a change in the Cdn\$: US\$ and Cdn\$: Peruvian Soles exchange rates is not considered to be significant given the Company's current expenditure levels.

4. Mineral properties

The Company's principal mineral properties are located in the Departments of Ancash and Cusco, Peru.

Cumulative expenditures on the properties are set out below.

	Balance December 31, 2009	Spending during 3 months to March 31, 2010	Balance March 31, 2010
Alicia Property			
<i>Acquisition costs</i>			
Option payments	\$ 6,500	\$ -	\$ 6,500
<i>Deferred exploration costs</i>			
Staking & tenure	14,900	13,721	28,621
Field exploration & travel	47,180	62,170	109,350
<i>Total – Alicia</i>	<u>68,580</u>	<u>75,891</u>	<u>144,471</u>
Culebrilla Property			
Finder's fees	80,000	-	80,000
Option payments	741,082	-	741,082
Staking & tenure	87,843	-	87,843
<i>Total – Culebrilla</i>	<u>908,925</u>	<u>-</u>	<u>908,925</u>
Letra Rumi South	<u>104,988</u>	<u>-</u>	<u>104,988</u>
Total December 31	<u>\$1,082,493</u>	<u>\$ 75,891</u>	<u>\$ 1,158,384</u>

Alicia Property

On September 25, 2009, the Company and Panoro Apurimac S.A. ("Panoro") entered into an Option and Mining Lease Agreement (the "Panoro Agreement") pursuant to which MSG Peru has the right to acquire 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. The Company issued 100,000 common shares, valued at \$6,500, to Panoro on execution of the Panoro Agreement.

Under the terms of the Panoro Agreement, 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 (the "Public Deed"); 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. MSG Peru is seeking an agreement with the community that has jurisdiction over the surface lands at Alicia in order to establish the Public Deed execution date. To secure the remaining 45% interest in Alicia, the Company is required to (a) issue 400,000 common shares to Panoro on the third anniversary of the execution of the Public Deed, and (b) carry out work expenditures at the Alicia property, aggregating \$1.25 million from the date of completion of the Panoro Agreement to the third anniversary of the execution of the Public Deed. 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.

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.

The results of an exploration program that focused on the Culebrilla 1, Culebrilla 2 and Rosa Mistica 20 concessions, were inconclusive. The Company wrote down most of the costs associated with these claims as at December 31, 2008 and June 30, 2009 and relinquished certain claims that were subject to penalty payments.

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.

5. Fixed assets

	March 31, 2010	December 31, 2009
Office equipment, at cost	\$ 28,311	\$ 26,550
Less: accumulated depreciation	19,272	16,910
Net fixed assets	<u>\$ 9,039</u>	<u>\$ 9,640</u>

6. Capital stock

Authorized:

Unlimited number of common shares

Capital stock is made up as follows:

	March 31, 2010	December 31, 2009
Warrants	\$ 149,151	\$ 107,886
Common shares (see below)	4, 220,195	4,150,457
Balance December 31	<u>\$ 4,369,346</u>	<u>\$ 4,258,343</u>

Issued common shares:

	# of Shares	\$ Value
Balance December 31, 2008	23,021,436	4,049,713
Issued for interest in mineral property	100,000	6,500
Private placement	2,689,000	94,244
Balance December 31, 2009	25,810,436	4,150,457
Private placements	1,200,000	69,738
Balance March 31, 2010	<u>27,010,436</u>	<u>4,220,195</u>

Private placement - 2010

On January 11, 2010, and January 15, 2010, the Company completed private placements of 50,000 units and 1,150,000 units at a price of \$0.10 per unit for gross proceeds of \$5,000 and \$115,000, respectively. The 50,000 units were subscribed for by a director of the Company. Each unit consisted of one common share and one-half of a warrant. Each full warrant entitles the holder to acquire an additional common share at the price of \$0.15 per share for a period of eighteen months following closing of the issue. The value attributed to the shares and warrants was \$79,800 and \$40,200, respectively. Costs of the private placement were \$8,997 including broker's commission of \$1,500 and other costs of \$7,497. In addition, a broker received 15,000 broker warrants. Each broker warrant entitles the broker to acquire one common share of the Company at \$0.10 per share for a period of eighteen months following the closing of the issue. The value attributed to the broker warrants was \$1,065.

Private Placement – 2009

On November 30, 2009, the Company closed the initial tranche of a private placement financing of 2,689,000 units at a price of \$0.10 per unit, for gross proceeds of \$268,900. Each unit consisted of one common share and one-half of a warrant. Each full warrant entitles the holder to acquire an additional common share at the price of \$0.15 per share for a period of eighteen months following closing of the issue. The value attributed to the shares and warrants was \$178,819 and \$90,081, respectively. Costs of the private placement were \$66,770 including a broker's finder's fee of \$24,390 and other costs of \$42,380. In addition, the broker received 243,900 broker warrants. Each broker warrant entitles the broker to acquire one common share of the Company at \$0.10 per share for a period of eighteen months following the closing of the issue. The value attributed to the broker warrants was \$17,805.

Other issuance of common shares - 2009

On October 2, 2009, the Company issued 100,000 common shares at a price of \$0.65 per share to Panoro Apurimac S.A., a wholly owned Peruvian subsidiary of Panoro Minerals Ltd., in settlement of the first installment of the Company's obligations under an option and lease agreement in respect of the Alicia property in the department of Cusco, Peru (*Note 4*).

7. Options and warrants

Common share warrants

Under the private placements on January 11, 2010 and January 15, 2010, the Company issued 25,000 and 575,000 warrants, respectively, to acquire common shares of the Company at a price of \$0.15 per share for a period of eighteen months after the closing of the issue. The Company also issued 15,000 broker warrants. Each broker warrant entitles the broker to acquire one common share of the Company at \$0.10 per share for a period of eighteen months following the closing of the issue. For purposes of valuation, the fair value of the warrants and broker warrants was estimated at the date of issuance using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 178%; risk free rate of return of 1.3% and an expected life of 1.5 years. The value attributed to the warrants and broker warrants was \$40,200 and \$1,065, respectively.

Under the private placement of November 30, 2009, the Company issued 1,344,500 warrants to acquire common shares of the Company at a price of \$0.15 per share for a period of eighteen months after the closing of the issue. The Company also issued 243,900 broker warrants. Each broker warrant entitles the broker to acquire one common share of the Company at \$0.10 per share for a period of eighteen months following the closing of the issue. For purposes of valuation, the fair value of the warrants and broker warrants was estimated at the date of issuance using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 178%; risk free rate of return of 1.05% and an expected life of 1.5 years. The value attributed to the warrants and broker warrants was \$90,081 and \$17,805 respectively.

800,000 warrants, to which no value had been attributed on issuance on October 17, 2008, expired unexercised on April 20, 2009.

A summary of the Company's warrants at March 31, 2010 and December 31, 2009 and of the changes for the periods then ended is presented below:

	Warrants Outstanding	Weighted Average Exercise Price \$
At December 31, 2008	800,000	0.60
Expired	(800,000)	0.60
Issued in Private Placement	1,344,500	0.15
Broker warrants	243,900	0.10
At December 21, 2009	1,588,400	0.14
Issued in Private Placements	600,000	0.15
Broker warrants	15,000	0.10
	<u>2,203,400</u>	<u>0.14</u>

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.

620,000 incentive stock options were issued effective January 26, 2010. For purposes of valuation, the fair value of the options was estimated at the date of issuance using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 178%; risk free rate of return of 2.3% and an expected life of 4 years.

100,000 incentive stock options were issued effective December 31, 2009. For purposes of valuation, the fair value of the options was estimated at the date of issuance using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 178%; risk free rate of return of 2.3% and an expected life of 4 years.

A summary of the Company's incentive stock options outstanding at March 31, 2010 and December 31, 2009 and of the changes for the periods then ended is presented below:

	Stock Options Outstanding	Weighted Average Exercise Price \$
At December 31, 2008	1,745,000	0.31
Granted	100,000	0.10
At December 31, 2009	1,845,000	0.30
Surrendered	(50,000)	0.40
Granted	620,000	0.10
At March 31, 2010	<u>2,415,000</u>	<u>0.25</u>

The following table summarizes certain information about stock options outstanding at March 31, 2010:

Exercise Price	Stock Options Outstanding and Exercisable	Remaining Contractual Life
\$0.40	1,120,000	1.7 years
\$0.14	575,000	2.7 years
\$0.10	100,000	4.7 years
\$0.10	620,000	4.8 years
	<u>2,415,000</u>	<u>2.9 years</u>

The weighted average fair value of options granted during the periods ended March 31, 2010 and December 31, 2009 was \$0.09 per share in each period.

Loss per share

The loss per share is calculated using the Treasury Stock Method. 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

At December 31, 2008	\$ 1,228,082
Stock based compensation expense	<u>4,650</u>
At December 31, 2009	\$ 1,232,732
Stock based compensation expense	<u>34,785</u>
At March 31, 2010	<u>\$ 1,267,517</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 period ended March 31, 2010 compared to the year ended December 31, 2009. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

10. Related party transactions

Included under management fees for the period ended March 31, 2010 is \$27,000 (2009 - \$27,000) in respect of fees for management and administrative services paid to Borland Levand & Associates, a firm in which a director is a principal, and \$5,920 (2009 - \$8,500) in respect of fees for financial consulting services paid to Graham L. Desson Consulting Inc., a firm in which an officer is a principal.

Included under professional fees for the period ended March 31, 2010, is \$5,486 (2009 - \$4,959) in respect of legal fees paid 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.

11. Income taxes

As at December 31, 2009, the Company has approximately \$1,614,000 in non-capital loss carry forwards which can be used to reduce future taxable income. The losses have not been recognized in these financial statements and will expire in the fiscal years 2010 to 2029. Further particulars of the Company's income taxes are detailed in the notes to the December 31, 2009 audited consolidated financial statements.

12. Supplemental cash flow information

	Three months ended	
	March 31, 2010	March 31, 2009
Net change in non-cash working capital items		
Prepaid expenses and other receivables	\$ (1,736)	\$ (2,318)
Accounts payable and accrued liabilities	(443)	7,135
	<u>\$ (2,179)</u>	<u>\$ 4,817</u>
Non-cash investing activities		
Increase in accrued capital expenditures	\$ 9,171	\$ -

13. Segmented information

The Company has no revenues and its only operating segment is the resource sector. All of the Company's mineral properties are in Peru, where cumulative expenditures before write downs at March 31, 2010 were \$2,553,655 (December 31, 2009 - \$2,477,764).

14. 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.

Culebrilla surface rights and rehabilitation costs

The Company is currently in negotiations regarding surface rights at the Letra Rumi South Property. The Company is also in discussions with a Peruvian government agency with a view to determining the extent of surface rehabilitation costs at Culebrilla. In both instances, the Company is unable to determine the extent of the liability, but the Company believes that the combined effect will not be material to the financial results of the Company.

15. Subsequent event

On May 12, 2010, the Company announced that it had signed a community agreement to start drilling at the Alicia property. Initial signature of the community agreement occurred on February 19, 2010 and execution and formalization by the community members was completed on April 26, 2010. For purposes of determining the anniversary date to be used under the Panoro Agreement for payment of common shares and carrying out work expenditures by the Company, February 19, 2010 is the effective date of the community agreement.