

MASUPARIA GOLD CORPORATION

(an exploration stage enterprise)

Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Masuparia Gold Corporation (an exploration stage enterprise) are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised primarily of non-management directors. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by Smythe Ratcliffe LLP, Chartered Accountants and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Ronald K. Netolitzky" (signed)

Ronald K. Netolitzky
President

"Karen A. Allan" (signed)

Karen A. Allan
Chief Financial Officer

Vancouver, British Columbia
January 18, 2012

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MASUPARIA GOLD CORPORATION
(An Exploration Stage Enterprise)

We have audited the accompanying consolidated financial statements of Masuparia Gold Corporation (an exploration stage enterprise), which comprise the consolidated balance sheet as at September 30, 2011, and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Masuparia Gold Corporation as at September 30, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The consolidated financial statements as at September 30, 2010 and for the year then ended were audited by another firm of auditors who expressed an unmodified opinion in their report dated January 28, 2011.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
January 18, 2012

MASUPARIA GOLD CORPORATION
(an exploration stage enterprise)
CONSOLIDATED BALANCE SHEETS

	As at September 30	
	2011	2010
Assets		
Current		
Cash	\$ 63,381	\$ 8,473
Accounts receivable	5,263	5,804
Prepaid expenses and deposits	-	18,828
	68,644	33,105
Marketable securities (note 3)	127,500	378,765
Mineral properties (note 5)	1,365,750	1,359,363
Equipment (note 4)	-	6,896
	\$ 1,561,894	\$ 1,778,129
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 36,012	\$ 38,248
Due to related party (note 7)	40,015	90,000
	76,027	128,248
Shareholders' Equity		
Share capital (note 6)	15,310,468	15,310,468
Subscriptions received (note 12)	62,500	-
Contributed surplus (note 6)	269,009	269,009
Accumulated other comprehensive income	91,442	256,493
Deficit	(14,247,552)	(14,186,089)
	1,485,867	1,649,881
	\$ 1,561,894	\$ 1,778,129

Subsequent Events (note 12)

On behalf of the Board:

"Ronald K. Netolitzky"

Director

"Robert V. Matthews"

Director

Ronald K. Netolitzky

Robert V. Matthews

MASUPARIA GOLD CORPORATION*(an exploration stage enterprise)***CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

	For the years ended September 30	
	2011	2010
Expenses		
Amortization	\$ 1,035	\$ 2,394
Consulting fees (note 7)	39,550	42,343
Professional fees (note 7)	47,684	87,732
Investor relations	29,600	3,066
Management fees (note 7)	52,000	72,000
Office and administration	11,871	29,167
Rent (note 7)	47,330	54,757
Shareholder communications	1,732	-
Transfer agent and listing fees	15,862	16,615
Wages and benefits	-	1,333
Loss before other items	(246,664)	(309,407)
Other items		
Gain on sale of marketable securities (note 3)	188,094	-
Foreign exchange loss	-	(493)
Loss from disposition of equipment (note 4)	(5,861)	(159)
Gain from disposition of subsidiary (note 8)	-	89,930
	182,233	89,278
Loss before income taxes	(64,431)	(220,129)
Income taxes (note 11)		
Income tax expense	-	(23,993)
Future income tax recovery	2,968	10,000
	2,968	(13,993)
Net loss for year	(61,463)	(234,122)
Items of comprehensive income (loss)		
Unrealized gain on marketable securities (note 3)	15,294	73,143
Reversal of previously recognized unrealized gain (note 3)	(180,345)	-
	(165,051)	73,143
Comprehensive loss for year	\$ (226,514)	\$ (160,979)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	10,952,887	10,952,887

MASUPARIA GOLD CORPORATION
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Share Capital		Subscriptions Received	Deficit	Contributed Surplus	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount					
Balance at September 30, 2009	10,952,887	\$ 15,310,468	\$ -	\$ (13,951,967)	\$ 269,009	\$ 183,350	\$ 1,810,860
Net loss for the year	-	-	-	(234,122)	-	-	(234,122)
Other comprehensive income for the year	-	-	-	-	-	73,143	73,143
Balance at September 30, 2010	10,952,887	15,310,468	-	(14,186,089)	269,009	256,493	1,649,881
Subscriptions received	-	-	62,500	-	-	-	62,500
Reversal of previously recognized unrealized gain (note 3)	-	-	-	-	-	(180,345)	(180,345)
Net loss for the year	-	-	-	(61,463)	-	-	(61,463)
Other comprehensive income for the year	-	-	-	-	-	15,294	15,294
Balance at September 30, 2011	10,952,887	\$ 15,310,468	\$ 62,500	\$ (14,247,552)	\$ 269,009	\$ 91,442	\$ 1,485,867

MASUPARIA GOLD CORPORATION
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended	
	September 30	
	2011	2010
Operating activities		
Net loss for the year	\$ (61,463)	\$ (234,122)
Items not involving cash		
Amortization	1,035	2,394
Future income tax recovery	(2,968)	(10,000)
Loss from disposition of equipment	5,861	159
Gain on sale of marketable securities	(188,094)	-
Gain from disposition of subsidiary	-	(89,930)
Net changes in non-cash working capital items		
Accounts receivable	541	(2,201)
Prepaid expenses and deposits	18,828	(1,705)
Accounts payable and accrued liabilities	(2,238)	(10,523)
Cash used in operating activities	(228,498)	(345,928)
Financing activities		
Advances from (repayments to) related party	(49,985)	90,000
Share subscriptions received	62,500	-
Cash provided by financing activities	12,515	90,000
Investing activities		
Expenditures on mineral properties	(6,387)	(6,912)
Proceeds from disposition of equipment	-	1,572
Proceeds from sale of marketable securities	277,278	-
Proceeds from disposition of subsidiary	-	95,971
Cash provided by investing activities	270,891	90,631
Foreign exchange gain on cash held in a foreign currency	-	427
Increase (decrease) in cash during year	54,908	(164,870)
Cash, beginning of year	8,473	173,343
Cash, end of year	\$ 63,381	\$ 8,473
Supplementary information		
Income taxes paid	\$ -	\$ 23,993
Interest paid	\$ -	\$ -

MASUPARIA GOLD CORPORATION

(an exploration stage enterprise)

Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

1. Nature of operations and going concern

Masuparia Gold Corporation (the “Company” or “Masuparia”) was incorporated on July 7, 1981 under the *Company Act* (British Columbia). The Company’s principal business activities include the acquisition, exploration and development of mineral resource properties in Canada.

The Company is currently exploring its mineral properties and has not yet determined whether they contain resources that are economically recoverable. The recoverability of amounts capitalized for mineral properties is dependent upon the discovery of sufficient economically recoverable ore resources, confirmation of the Company’s interest in the underlying mineral properties, the ability of the Company to arrange appropriate financing to complete the development of the mineral properties and upon future profitable production or proceeds from the sale of the mineral properties.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern basis. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

2. Significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Minera Masuparia, S.A. de C.V. (“Minera”), a Mexican corporation (disposed of in April 2010). All significant intercompany balances and transactions have been eliminated.

(b) Mineral properties

All costs related to the acquisition, exploration and development of mineral property interests are capitalized on a property-by-property basis. If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property interest is impaired, that property is written down to its estimated fair value. Mineral property interests are reviewed annually for impairment or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to income.

MASUPARIA GOLD CORPORATION

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Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

2. Significant accounting policies (Continued)

(c) Equipment

Equipment is recorded at cost. The Company provides for amortization of furniture and equipment using the declining balance method at a rate of 20% per annum. Additions during the year are amortized at one-half the annual rate.

(d) Asset retirement obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs.

(e) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(f) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus. For directors and employees the fair value is recognized over the vesting period and for non-employees the fair value is recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

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Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

2. Significant accounting policies (Continued)

(g) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

(h) Foreign currency translation

Monetary assets and liabilities that are denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the exchange rates in effect at the date of the transaction, except for amortization, which is translated at the historical rate. Exchange gains and losses arising on translation are included in the consolidated statements of operations.

(i) Flow-through common shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The proceeds from shares issued under flow-through share financing agreements are credited to share capital and the tax benefits of the exploration expenditures incurred under these agreements are renounced to the purchaser of the shares. The tax impact to the Company of the renouncement is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in share capital and the recognition of a future tax liability.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of future income taxes in the consolidated statements of operations.

(j) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of environmental obligations, AROs, accrued liabilities, the valuation of marketable securities, the impairment of mineral properties and valuation allowance for future tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

MASUPARIA GOLD CORPORATION

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Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

2. Significant accounting policies (Continued)

(k) Financial instruments and comprehensive income

Financial instruments are classified as one of the following: held-for-trading, held-to-maturity, loans and receivable, available-for-sale financial assets or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity until the investment is no longer recognized or impaired, at which time the amounts would be recorded in operations. Any financial instrument may be designated as held-for-trading upon initial recognition.

The Company provides information about the reliability of inputs used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These disclosures are not required when the carrying amount is a reasonable approximation of fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

(l) Future accounting changes

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian generally accepted accounting principles will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements commencing with its fiscal 2012 interim and annual consolidated financial statements. The effective date may require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended September 30, 2011. The Company has evaluated the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS.

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Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

3. Marketable securities

As at September 30, 2011, the Company had available for sale 500,000 (2010 - 1,847,636) common shares of Goldbrook Ventures Inc. ("Goldbrook"), a public company related by virtue of common directors.

Long-term investments were recorded at fair value as at September 30, 2011 and 2010 as follows:

	2011	2010
Goldbrook shares, at market	\$ 127,500	\$ 378,765

During the year ended September 30, 2011, the Company sold 1,347,636 Goldbrook shares for net proceeds of \$277,278, resulting in a gain on sale of marketable securities of \$188,094. Previously recognized gains included in accumulated other comprehensive income were adjusted, in the amount of \$180,345.

The Company recorded an unrealized gain on available-for-sale assets, net of future income taxes, of \$15,294 (2010 - \$73,143) to comprehensive income due to an increase in fair value of the price of the remaining Goldbrook common shares.

4. Equipment

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ -	\$ -	\$ -	\$ 28,296	\$ 21,400	\$ 6,896

During the year ended September 30, 2011, the Company disposed of furniture and equipment for \$nil proceeds, resulting in a loss of \$5,861.

5. Mineral properties

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or if the claims are allowed to lapse.

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Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

5. Mineral properties (Continued)

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and the expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

Title to mineral properties

Although the Company has taken steps to verify the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

Greywacke - Saskatchewan

In 2001, the Company earned a 51% interest in four mineral claims located in northern Saskatchewan for consideration of \$10,000, the issuance of 16,665 common shares and incurring a minimum of \$850,000 of exploration expenditures.

On September 20, 2011, the Company entered into a Joint Venture Agreement with Golden Band Resources ("Golden Band"), the holder of the remaining 49% interest, to advance the property. Masuparia will be the operator.

GREYWACKE MINERAL PROPERTY EXPENDITURES	
Balance, September 30, 2009	\$ 1,352,451
Deferred exploration expenditures	
Assays	1,879
Consulting fees	4,500
Permits	533
	6,912
Balance, September 30, 2010	1,359,363
Deferred exploration expenditures	
Assays	1,966
Consulting fees	4,000
Permits	421
	6,387
Balance, September 30, 2011	\$ 1,365,750

MASUPARIA GOLD CORPORATION

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Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

6. Share capital and contributed surplus

(a) Authorized

Unlimited number of common shares without par value

(b) Stock options and warrants

The Company's registered stock option plan authorizes the Company to grant incentive stock options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant. The options can be granted for a maximum term of five years. Stock options granted in relation to investor relations' activities vest 25% every three months from the grant date; all other stock options vest immediately.

Stock option and share purchase warrant transactions are summarized as follows:

	Stock Options		Warrants	
	Number of Options	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 30, 2009	46,000	\$ 2.55	1,497,000	\$ 1.00
Forfeited	(13,000)	\$ (2.55)	-	-
Outstanding, September 30, 2010	33,000	\$ 2.55	1,497,000	\$ 1.00
Expired	-	-	(1,497,000)	\$ (1.00)
Outstanding, September 30, 2011	33,000	\$ 2.55	-	-
Number exercisable/fully vested	33,000	\$ 2.55	-	-

As at September 30, 2011, stock options and share purchase warrants were outstanding as follows:

	Number	Exercise Price	Expiry Date
Options	33,000*	\$ 2.55	November 5, 2011

* Subsequent to September 30, 2011, these option expired unexercised.

As at September 30, 2010, stock options and share purchase warrants were outstanding as follows:

	Number	Exercise Price	Expiry Date
Options	33,000	\$ 2.55	November 5, 2011
Warrants	1,497,000	\$ 1.00	October 8, 2010

The weighted average contractual life remaining is 0.09 year.

MASUPARIA GOLD CORPORATION

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Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

7. Related party transactions

During the years ended September 30, 2011 and 2010, the Company entered into the following transactions with companies owned by the former directors:

	2011	2010
Management fees	\$ 52,000	\$ 72,000
Consulting fees – financial	15,000	15,000
Consulting fees – investor relations	22,000	24,000
Equipment rental	17,438	17,438
Professional fees	18,000	18,000
Rent	4,000	6,000
	\$ 128,438	\$ 152,438

These transactions, occurring in the normal course of operations, are measured at the exchange amount established and agreed to by the related parties.

At September 30, 2011, the Company has an advance payable of \$40,015 to an officer and director of the Company. The advance payable is unsecured, without interest and payable on demand.

At September 30, 2010, the Company had an advance payable of \$90,000 to a company controlled by a former director of the Company. During the year ended September 30, 2011, a further \$75,000 was advanced and the total of \$165,000 was repaid from the sale of marketable securities. The advance payable was unsecured, without interest and payable on demand.

8. Segmented information

The Company's only identifiable assets are in Canada. On April 12, 2010, the Company sold 100% of its shares in its Mexican subsidiary, Minera, to an unrelated third party for gross proceeds of \$95,971 less \$23,993 withheld for Mexican income tax purposes. A gain in the amount of \$89,930 was recognized on the statements of operations and comprehensive loss. Segmented operations losses for the years ended September 30, 2011 and 2010 are as follows:

	2011	2010
Loss from operations		
Canada	\$ (38,174)	\$ (225,982)
Mexico	-	(8,140)
Canada	\$ (38,174)	\$ (234,122)

MASUPARIA GOLD CORPORATION

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Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

9. Financial instruments

Financial instruments include cash, marketable securities, accounts payable and amounts due to related party.

(a) Fair values

The Company has classified its financial assets as follows:

Financial assets	2011			2010		
	Loans and receivables	Held-for-trading	Available-for-sale	Loans and receivables	Held-for-trading	Available-for-sale
Cash	\$ -	\$ 63,381	\$ -	\$ -	\$ 8,473	\$ -
Marketable securities	-	-	127,500	-	-	378,765
	\$ -	\$ 63,381	\$ 127,500	\$ -	\$ 8,473	\$ 378,765

The Company classifies its accounts payable and amount due to related party as other financial liabilities. The fair values of amounts due to related party cannot be reliably measured since there is no quoted price for such instruments.

The carrying values of cash and accounts payable approximate their fair values due to the short term to maturity of these financial instruments.

The Company's financial instruments measured at fair value by level within the fair value hierarchy as at September 30, 2011 are as follows:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	\$ 127,500	\$ -	\$ -	\$ 127,500

The Company's financial instruments measured at fair value by level within the fair value hierarchy as at September 30, 2010 are as follows:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	\$ 378,765	\$ -	\$ -	\$ 378,765

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The financial instrument that potentially subjects the Company to credit risk consists of cash. The risk is minimized as cash has been placed with major Canadian financial institutions.

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Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

9. Financial instruments (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty satisfying financial obligations as they become due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company is subjected to liquidity risk to the extent of its accounts payable. These amounts, as shown in the Company's balance sheets, all mature within the next twelve months.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: Interest rate risk, foreign currency risk and other price risk. The Company is not exposed to significant interest or foreign currency risk.

Other price risk

Other price risk is the risk that the fair market value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's marketable securities are carried at market value and are therefore directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that a 24% (2010 – 28%) change in market prices would change the value of the marketable securities by \$30,600 (2010 – \$106,054).

10. Capital Disclosures

The Company manages shareholders' equity as capital. The Company's objectives for managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash. The Company has not changed its capital risk management strategy during the year and is not subject to any externally imposed capital requirements.

11. Income taxes

As at September 30, 2011, the Company has non-capital losses of approximately \$2,372,000 that may be applied against future income for Canadian income tax purposes. The potential future tax benefits of these losses have not been recorded in these consolidated financial statements.

The losses expire as follows:

2014	\$	218,000
2015		293,000
2026		186,000
2027		553,000
2028		266,000
2029		355,000
2030		327,000
2031		174,000
	\$	<u>2,372,000</u>

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11. Income taxes (Continued)

The reconciliation of income tax benefit computed at statutory rates to the reported income tax provision is as follows:

	2011	2010
Loss before income taxes	\$ (64,431)	\$ (220,129)
Income tax as statutory rates	28.00%	28.88%
Expected income tax recovery	(18,040)	(63,600)
Non-deductible expenses and other permanent differences	(47,128)	23,293
Non-capital losses expiring	-	31,300
Change in valuation allowance and other	62,200	23,000
Total income tax expense	\$ (2,968)	\$ 13,993

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2011	2010
Non-capital losses carried forward	\$ 593,300	\$ 549,800
Capital losses carried forward	485,500	485,500
Mineral property interests	999,200	999,200
Share issuance costs	6,300	12,800
Equipment	12,600	11,000
Marketable securities	(13,000)	(36,600)
	2,083,900	2,021,700
Valuation allowance	(2,083,900)	(2,021,700)
	\$ -	\$ -

12. Subsequent events

Pursuant to a private placement, the Company issued 5,905,900 units on November 18, 2011 for gross proceeds of \$1,343,600. The Company issued 3,248,400 units at \$0.25 per unit for proceeds of \$812,100, each unit consisting of one flow-through common share and one-half of one flow-through share purchase warrant, with each whole warrant exercisable to acquire one flow-through common share at \$0.35 until December 31, 2011 (none exercised to date) and at \$0.45 until November 18, 2012. In addition, the Company issued 2,657,500 units at \$0.20 per unit for proceeds of \$531,500, each unit consisting of one common share and one share purchase warrant, with each whole warrant exercisable to acquire one common share at \$0.35 until November 18, 2013. These warrants have an exercise acceleration clause such that if the Company's shares trade at or greater than \$0.50 per share for 20 consecutive days, the remaining exercise period may be reduced, at the election of the Company and upon notice to the warrant holders, to 30 days from notice. Finders' fees of \$33,825 were incurred on a portion of the financing. Prior to September 30, 2011, \$62,500 was received and recorded in subscriptions received.

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13. Comparative figures

The comparative consolidated financial statements have been reclassified to conform to the presentation of the current year.