

MASUPARIA GOLD CORPORATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008
(Unaudited)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statement for the period ended December 31, 2008.

NOTICE TO READER

The interim consolidated balance sheet as at December 31, 2008 and the interim consolidated statements of loss and deficit, and the interim consolidated statements of cash flows for the three-month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, BDO Dunwoody LLP.

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian Generally Accepted Accounting Principles.

/s/ David Baker

David Baker, Director
Vancouver, BC Canada
February 27, 2009

/s/ Earl Terris

Earl Terris, Director
Vancouver, BC Canada
February 27, 2009

MASUPARIA GOLD CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	<u>December 31,</u> <u>2008</u> <i>(Unaudited)</i>	<u>September 30,</u> <u>2008</u> <i>(Audited)</i>
Current		
Cash	\$ 186,188	\$ 148,024
GST receivables	10,859	2,632
Prepaid expenses	<u>18,461</u>	<u>21,215</u>
	215,508	171,871
Equipment – Note 4	30,032	31,107
Long-term investments – Note 3	83,144	184,764
Resource property costs – Note 5 and Schedule 1	<u>3,526,053</u>	<u>3,701,766</u>
	<u>\$ 3,854,737</u>	<u>\$ 4,089,508</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities – Note 7	\$ 142,620	\$ 279,044
Advances payable – Note 7	<u>455,000</u>	<u>765,000</u>
	<u>597,620</u>	<u>1,044,044</u>

SHAREHOLDERS' EQUITY

Share capital – Note 6	14,410,468	13,688,968
Share subscriptions received	-	266,250
Contributed surplus	269,009	269,009
Accumulated other comprehensive income – Note 10	560,401	560,401
Deficit	<u>(11,982,761)</u>	<u>(11,739,164)</u>
	<u>3,257,117</u>	<u>3,045,464</u>
	<u>\$ 3,854,737</u>	<u>\$ 4,089,508</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1
 Commitments – Notes 5 and 6
 Subsequent Events – Note 11

APPROVED ON BEHALF OF THE BOARD:

<p>_____ Director David Baker</p>	<p>_____ Director Earl Terris</p>
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SEE ACCOMPANYING NOTES

MASUPARIA GOLD CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND LOSS
for the three months ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
General and administrative expenses		
Amortization	\$ 1,563	\$ 925
Bank charges	847	2,765
Consulting fees – Note 7	18,192	20,289
Corporate and administration fees	7,500	9,200
Exploration assessment costs	7,288	1,402
Filing and transfer agent fees and services	6,958	2,589
Management fees – Note 7	15,000	14,500
Office and miscellaneous	(526)	2,208
Professional fees – Note 7	36,746	9,429
Rent, telephone, fax and internet	19,723	17,386
Shareholders' communication and promotion	2,576	2,458
Travel	1,220	-
Wages and benefits	<u>20,640</u>	<u>-</u>
	(137,727)	(83,151)
Other items		
Interest income	354	744
Other income - Note 8	1,918	-
Foreign exchange loss	(6,522)	(3,410)
Loss from sale of securities	-	(101,118)
Impairment loss on available-for-sale assets	<u>(101,620)</u>	<u>-</u>
Net loss for the period	(243,597)	(186,935)
Unrealized gain on available-for-sale financial assets during the period	<u>-</u>	<u>(242,113)</u>
Comprehensive loss for the period	<u>\$ (243,597)</u>	<u>\$ (429,048)</u>
Basic and diluted loss per share	<u>\$ (0.005)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding	<u>50,982,023</u>	<u>10,322,864</u>

SEE ACCOMPANYING NOTES

MASUPARIA GOLD CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
for the three months ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Deficit, beginning of the period	\$ (11,739,164)	\$ (10,827,455)
Net loss for the period	<u>(243,597)</u>	<u>(186,935)</u>
Deficit, end of the period	<u>\$ (11,982,761)</u>	<u>\$ (11,014,390)</u>

SEE ACCOMPANYING NOTES

MASUPARIA GOLD CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Activities		
Net loss for the period	\$ (243,597)	\$ (186,935)
Charges not affecting cash:		
Amortization	1,563	925
Impairment loss on available-for-sale assets	<u>101,620</u>	<u>-</u>
	(140,414)	(186,010)
Changes in non-cash working capital balances:		
GST receivable	(8,227)	(34,674)
Prepaid expenses and advances	2,754	32,089
Accounts payable and accrued liabilities	<u>(136,424)</u>	<u>14,974</u>
	<u>(282,311)</u>	<u>(173,621)</u>
Financing Activities		
Advances payable	(310,000)	-
Issuance of common shares	721,500	28,000
Shares subscribed	<u>(266,250)</u>	<u>114,300</u>
	<u>145,250</u>	<u>142,300</u>
Investing Activities		
Deferred exploration costs	175,713	(398,763)
Equipment	(488)	(5,878)
Marketable securities	<u>-</u>	<u>272,602</u>
	<u>175,225</u>	<u>(132,039)</u>
Increase (decrease) in cash during the period	38,164	(163,360)
Cash, beginning of the period	<u>148,024</u>	<u>257,548</u>
Cash, end of the period	<u>\$ 186,188</u>	<u>\$ 94,188</u>
Supplementary cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES

MASUPARIA GOLD CORPORATION
SCHEDULE OF CONSOLIDATED RESOURCE PROPERTY COSTS
for the three months ended December 31, 2008

Schedule 1

	<u>Greywacke</u>	<u>Tenoriba</u>	<u>Sucara</u>	<u>Total</u>
Balance, September 30, 2007	<u>1,015,456</u>	<u>370,482</u>	<u>24,466</u>	<u>1,410,404</u>
Property payment	<u>-</u>	<u>221,785</u>	<u>48,588</u>	<u>270,373</u>
Deferred exploration expenditures				
Assays	17,649	136,076	-	153,725
Consulting fees	20,659	260,728	2,915	284,302
Drilling	207,291	505,112	-	712,403
Equipment rental and repairs	8,056	95,964	-	104,020
Field work and field supplies	44,020	117,863	1,892	163,775
Mapping and reports	17,168	16,107	-	33,275
Permits	360	-	-	360
Office overhead	1,296	57,259	3,830	62,385
Site visits	5,366	6,025	-	11,391
Staking and maintenance	-	10,521	436	10,957
Value added taxes	-	223,983	-	223,983
Wages and casual labour	<u>9,947</u>	<u>250,321</u>	<u>145</u>	<u>260,413</u>
	<u>331,812</u>	<u>1,679,959</u>	<u>9,218</u>	<u>2,020,989</u>
Balance, September 30, 2008	<u>\$ 1,347,268</u>	<u>\$ 2,272,226</u>	<u>\$ 82,272</u>	<u>\$ 3,701,766</u>
Deferred exploration expenditures				
Assays	(5,478)	26,890	-	21,412
Consulting fees	4,500	5,018	-	9,518
Drilling	-	(14,150)	-	(14,150)
Equipment rental and repairs	(648)	9,293	-	8,645
Field work and field supplies	(2,872)	10,505	-	7,633
Mapping and reports	-	110	-	110
Permits	(17)	-	-	(17)
Office overhead	-	4,580	-	4,580
Value added taxes	-	(229,656)	-	(229,656)
Wages and casual labour	<u>-</u>	<u>16,212</u>	<u>-</u>	<u>16,212</u>
	<u>(4,515)</u>	<u>(171,198)</u>	<u>-</u>	<u>(175,713)</u>
Balance, December 31, 2008	<u>\$ 1,342,753</u>	<u>\$ 2,101,028</u>	<u>\$ 82,272</u>	<u>\$ 3,526,053</u>

SEE ACCOMPANYING NOTES

MASUPARIA GOLD CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008

Note 1 Nature of Operations and Ability to Continue as a Going Concern

The Company was incorporated on July 7, 1981, under the Company Act of British Columbia and its common shares are publicly traded on the TSX Venture Exchange (the "TSX").

The Company is in the development stage and is in the process of exploring its resource properties and has not determined whether these properties contain reserves which are economically recoverable. The recoverability of amounts shown for resource property costs is dependent upon the discovery of economically recoverable reserves and the ability to obtain the necessary financing to complete their exploration and development.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2008, the Company had not yet achieved profitable operations, has accumulated losses of \$11,982,761, has a working capital deficiency of \$382,112 and expects to incur further losses in the development of its business, which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results may differ from these estimates.

The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera Masuparia S.A.de C.V., which was incorporated by the Company. All inter-company transactions have been eliminated.

Note 2 Significant Accounting Policies – (cont'd)

b) Equipment and Amortization

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 rates.

c) Resource Property Costs

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries and are not intended to represent present or future values.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of the Company's knowledge, title to all of its properties are in good standing.

d) Asset Retirement Obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. As at December 31, 2008, the Company has determined that it does not have any asset retirement obligations.

Note 2 Significant Accounting Policies – (cont'd)

e) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti dilutive. Basic and diluted loss per share are the same for the years presented.

For the three months ended December 31, 2008, potentially dilutive common shares (relating to share purchase options and warrants outstanding) totaling 23,731,115 (2007: 7,954,315) were not included in the computation of loss per share because their effect was anti-dilutive.

f) Stock-based Compensation

The Company has a stock-based compensation plan, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

g) Income Taxes

The Company accounts for income taxes by the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely-than-not to be realized.

h) Foreign Currency Translation

The Company's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities and foreign currency denominated expenses are translated at exchange rates in effect at the time of each transaction. Gains and losses on translation are included in the results from operations.

Note 2 Significant Accounting Policies – (cont'd)

i) Value-added Taxes Recoverable

The Company incurred value-added taxes (“VAT”) in Mexico during the years ended September 30, 2008 and 2007 which relates to mineral property expenditures and other expenses, and had included the amounts with its deferred exploration expenditures. Upon receiving the value-added taxes refunds during the quarter ended December 31, 2008, the Company reduces its deferred exploration expenditures accordingly.

j) Financial Instruments

The Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

As a result of adopting these new standards as at September 30, 2007, the Company recorded a credit to the opening balance of accumulated other comprehensive income of \$516,445 for the change in accounting for financial assets classified as available for sale and measured at fair value instead of cost, and recorded a credit to the opening balance of deficit of \$166,137 for the change in accounting for financial assets classified as held for trading and measured at fair value instead of cost. These changes are reported as a one time cumulative effect of a change in accounting policy in opening accumulated other comprehensive income and deficit, respectively as at October 1, 2006.

In accordance with this new standard, the Company has designated its financial instruments as follows: cash and marketable securities are classified as held-for-trading which are measured at fair value. Long-term investments are classified as available for sale which are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized, at which time they will be recorded in net earnings (losses). Accounts payable and accrued liabilities and advances payable are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

Note 2 Significant Accounting Policies – (cont'd)

j) Financial Instruments – (cont'd)

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has evaluated the impact of EIC-166, and are expensing these costs where applicable, and determined that no adjustments are currently required.

k) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated.

l) Impairment of Long-lived Assets – Note 3

Long-lived assets and intangibles held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, the Company will recognize the difference as an impairment loss. During the three months ended December 31, 2008, the Company wrote down its long term investments by \$101,620.

m) Revenue Recognition

Revenue from administrating the Greywacke exploration project as operator is recognized when services are rendered and collection is reasonably assured. The Company assesses customer credit worthiness, both before entering into contracts and throughout the revenue recognition process.

n) Long Term Investments

Long term investments in marketable securities are classified as available for sale and are recorded at fair value at each balance sheet date with the changes in fair value recognized in comprehensive income.

Note 2 Significant Accounting Policies – (cont'd)

o) Adoption of New Accounting Standards

Accounting Changes, Section 1506

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by a new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this new standard cannot be determined until such time as the Company makes a change in accounting policy, other than the changes resulting from the implementation of the new CICA Handbook standards discussed in this note.

Capital Disclosures

The AcSB issued CICA Handbook Section 1535 “Capital Disclosures” The section specifies the disclosure of (i) an entity’s objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new section relates to disclosures and will not have an impact on the Company’s financial results. This new disclosure is summarized in Note 12.

Financial Instruments

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. This new disclosure is summarized in Note 13.

Assessing Going Concern

The Canadian Accountability Standards Board (“AcSB”) AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company adopted the new standard for its fiscal year beginning October 1, 2008. The adoption of this Section is not expected to result in any changes in the disclosure within the financial statements.

Note 2 Significant Accounting Policies – (cont'd)

o) Adoption of New Accounting Standards – (cont'd)

Goodwill and Intangible Assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning October 1, 2008. The adoption of this Section does result in any changes in the disclosure within the financial statements.

p) Recently Released Canadian Accounting Standards

International financial reporting standards (“IFRS”)

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Note 3 Long-term Investments

As at December 31, 2008, the Company had available for sale 1,847,636 common shares of Goldbrook Ventures Inc. ("Goldbrook"), a public company related by virtue of common directors.

The Company owned a total of 3,200,000 Goldbrook common shares of which 3,000,000 were received pursuant to an option agreement between the Company and Goldbrook and were placed in escrow and to be released to the Company on the basis of one share for each \$0.42 in expenditures made by Goldbrook on the Ungava Property.

On September 6, 2006, 578,864 of the 3,000,000 common shares in escrow were released leaving 2,421,136 common shares remaining in escrow which the Company had designated as available-for-sale long-term investments and were recorded at fair value. On February 19, 2008, the 2,421,136 Goldbrook common shares in escrow have been released.

Long-term investments were recorded at fair value as at December 31, 2008 in accordance with the new accounting policy on financial instruments.

	<u>December 31,</u> <u>2008</u>	<u>September 30,</u> <u>2008</u>
Long-term investments		
1,847,636 Goldbrook shares at market (cost \$86,272)	\$ 83,144	\$ 184,764

During the quarter ended December 31, 2008, the Company recorded an impairment loss of \$101,620 to net income due to a significant decline in fair value of the price of the Goldbrook common shares.

Note 4 Equipment

	<u>December 31, 2008</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Furniture and equipment	<u>\$ 51,962</u>	<u>\$ 21,930</u>	<u>\$ 30,032</u>
	<u>September 30, 2008</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Furniture and equipment	<u>\$ 51,474</u>	<u>\$ 20,367</u>	<u>\$ 31,107</u>

Note 5 Resource Property Costs

a) Greywacke

On May 21, 2001, the Company entered into an option agreement whereby the Company could earn a 51% interest in four mineral claims located in northern Saskatchewan for the following consideration:

- i) \$10,000 (paid);
- ii) 16,665 common shares (issued); and
- iii) incurring exploration of \$850,000 (incurred).

b) Ungava Property

On July 30, 2004, the Company reached an agreement with Goldbrook Ventures Inc. ("Goldbrook"), whereby Goldbrook acquired 100% of the Company's interest in this property. As consideration Goldbrook delivered 3,000,000 common shares to the Company.

This Agreement replaced the option previously granted to Goldbrook by the Company to earn up to an 80% interest in the Property. The Property is subject to a 1% net smelter return royalty on any mineral production from the Property. Goldbrook has the option to purchase one-half of this royalty for \$1 million.

c) Sucara

By agreements dated April 2007, the Company announced the acquisition of two options to purchase a 100% interest in the Sucara property. The Sucara property consists of two mining claims totalling 161 hectares located in the State of Chihuahua, Mexico in the municipality of Guadalupe y Calvo. Consideration is payable as follows:

- i) US\$22,000 plus value-added tax by April 24, 2007 (paid);
- ii) US\$15,000 plus value-added tax by October 24, 2007 (paid);
- iii) US\$33,000 plus value-added tax by April 24, 2008 (paid);
- iv) US\$25,000 plus value-added tax by October 24, 2008 (currently under renegotiation);
- v) US\$49,000 plus value-added tax by April 24, 2009;
- vi) US\$30,000 plus value-added tax by October 24, 2009;
- vii) US\$60,000 plus value-added tax by April 24, 2010;
- viii) US\$42,000 plus value-added tax by October 24, 2010;
- ix) US\$346,000 plus value-added tax by April 24, 2011, if the Company exercises the option.

Note 5 Resource Property Costs – (cont'd)

d) Tenoriba

By agreements dated April 2007, the Company announced the acquisition of two options to purchase a 100% interest in the Tenoriba property. The Tenoriba property consists of three mining claims totalling 8,100 hectares, located in the municipality of Guadalupe y Calvo, State of Chihuahua, Mexico. Consideration is payable as follows:

Option 1

- i) US\$40,000 plus value-added tax by April 25, 2007 (paid);
- ii) US\$25,000 plus value-added tax by October 25, 2007 (paid);
- iii) US\$75,000 plus value-added tax by April 25, 2008 (paid);
- iv) US\$100,000 plus value-added tax by October 25, 2008 (currently under renegotiation);
- v) US\$100,000 plus value-added tax by April 25, 2009;
- vi) US\$150,000 plus value-added tax by October 25, 2009;
- vii) US\$150,000 plus value-added tax by April 25, 2010;
- viii) US\$200,000 plus value-added tax by October 25, 2010;
- ix) US\$1,160,000 plus value-added tax by April 25, 2011.

Option 2

- i) US\$20,000 plus value-added tax by May 1, 2007 (paid);
- ii) US\$50,000 plus value-added tax by November 1, 2007 (paid);
- iii) US\$70,000 plus value-added tax by May 1, 2008 (paid);
- iv) US\$100,000 plus value-added tax by November 1, 2008 (currently under renegotiation);
- v) US\$150,000 plus value-added tax by May 1, 2009;
- vi) US\$600,000 plus value-added tax by May 1, 2010;
- vii) US\$1,010,000 plus value-added tax by May 1, 2011;

Note 6 Share Capital

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

	<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, September 30, 2007	10,298,951	12,775,833	269,009
For cash:			
– exercise of warrants – at \$0.28	100,000	28,000	-
– exercise of warrants – at \$0.24	110,000	26,400	-
– exercise of warrants – at \$0.255	50,000	12,750	-
– pursuant to a private placement – at \$0.23	4,000,000	920,000	-
Share issue costs	<u>-</u>	<u>(74,015)</u>	<u>-</u>
Balance, September 30, 2008	<u>14,558,951</u>	<u>\$13,688,968</u>	<u>\$ 269,009</u>
For cash:			
– pursuant to a private placement – at \$0.05	14,970,000	748,500	-
Share issue costs	<u>-</u>	<u>(27,000)</u>	<u>-</u>
Balance, December 31, 2008	<u>29,528,951</u>	<u>\$13,410,468</u>	<u>\$ 269,009</u>

On March 4, 2008, the Company completed a non-brokered private placement of 4,000,000 units of the Company at a price of \$0.23 per unit for gross proceeds of \$920,000. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant is exercisable into one additional common share of the Company for a period of one year from the closing date of the private placement at an exercise price of \$0.35. The Company applied the residual approach and allocated all too common shares and none to warrants. Finders' fees were paid in the amount of \$73,715.

On October 15, 2008, the Company closed a non-brokered private placement of 14,970,000 units of the Company at a price of \$0.05 per unit for gross proceeds of \$748,500. Each unit is comprised of one common share of the Company and one transferrable common share purchase warrant. Each warrant is exercisable into one additional common share of the Company for a period of two years from the closing date of the private placement at an exercise price of \$0.10. Finders' fees were paid in the amount of \$27,000.

Note 6 Share Capital – (cont'd)

c) Commitments:

i) Stock-based Compensation Plan

The Company has a stock option plan under which it is authorized to grant options to directors, officers, consultants or employees for up to a maximum of 10% of the issued and outstanding common shares of the Company. The exercise price under each option shall be set in accordance with regulatory policies and may not be granted at an exercise price of less than the closing price of the Company's shares traded through the TSX Venture Exchange on the grant date. Stock options have a maximum term of five years.

No stock options were granted during the quarter ended December 31, 2008.

A summary of the Company's outstanding stock options as of December 31, 2008 is as follows:

	<u>Number</u>
Outstanding and exercisable at September 30, 2007 and 2008	<u>547,615</u>
Outstanding and exercisable at December 31, 2008	<u>547,615</u>

At December 31, 2008, there were 547,615 stock options outstanding and fully vested entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
87,615	\$3.00	July 7, 2009
<u>460,000</u>	\$0.255	November 5, 2011
<u>547,615</u>		

Weighted average contractual life remaining is 2.48 years.

Note 6 Share Capital – (cont'd)

c) Commitments: – (cont'd)

iii) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants at December 31, 2008 is presented below:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable at September 30, 2007	<u>7,506,700</u>	-
Issued	4,000,000	\$0.35
Exercised	(260,000)	\$0.28
Expired	<u>(3,033,200)</u>	\$0.30
Outstanding and exercisable at September 30, 2008	<u>8,213,500</u>	-
Issued	<u>14,970,000</u>	\$0.10
Outstanding and exercisable at December 31, 2008	<u>23,183,500</u>	-

At December 31, 2008, there were 23,183,500 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,240,000	\$0.255	January 4, 2009
2,973,500	\$0.24	September 25, 2009
4,000,000	\$0.24	March 3, 2009
<u>14,970,000</u>	\$0.10	October 7, 2010
<u>23,183,500</u>		

The weighted average contractual life remaining is 0.69 years.

Note 7 Related Party Transactions

During the three months ended December 31, 2008 and 2007, the Company was charged the following amounts by companies owned by directors:

	<u>2008</u>	<u>2007</u>
Management fees	\$ 15,000	\$ 14,500
Consulting fees – financial	7,500	7,500
– investors’ relations	7,500	8,750
Professional fees	<u>2,625</u>	<u>3,625</u>
	<u>\$ 32,625</u>	<u>\$ 34,375</u>

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

At December 31, 2008, accounts payable and accrued liabilities included \$10,547 (2007: \$1,301) due to companies with common directors for expenses paid on behalf of the Company.

At December 31, 2008, the Company had a advance payable in the amount of \$455,000 (2007: \$Nil) to companies with common directors. The advance payable is unsecured, non-interest bearing and are payable on demand.

Note 8 Other Income

During the three months ended December 31, 2008, the Company recognized \$1,918 other income as a result of administrating the Greywacke exploration project as the operator.

Note 9 Segmented Information

As at December 31, 2008, the Company is primarily engaged in mining exploration activities in Canada and Mexico. Segmented operations and identifiable assets are as follows:

	Three months ended December 31	
	<u>2008</u>	<u>2007</u>
Loss from operations		
Canada	\$ (182,820)	\$ (181,504)
Mexico	<u>(60,777)</u>	<u>(5,431)</u>
	<u>\$ (243,597)</u>	<u>\$ (186,935)</u>
Identifiable assets		
Canada	\$ 1,677,505	\$ 1,759,343
Mexico	<u>2,177,232</u>	<u>856,858</u>
	<u>\$ 3,854,737</u>	<u>\$ 2,616,201</u>

Note 10 Accumulated Other Comprehensive Income

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Balance, beginning of the period	\$ 560,401	\$ 734,347
Unrealized gain on available-for-sale financial assets during the period	<u>-</u>	<u>(242,113)</u>
Balance, end of the period	<u>\$ 560,401</u>	<u>\$ 492,234</u>

Note 11 Subsequent Events

On January 4, 2009, 1,240,000 share purchase warrants with an exercise price of \$0.255 per share expired unexercised.

Note 12 Capital Disclosure

The Company's objectives when 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 which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. 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. As at December 31, 2008, the Company borrowed \$455,000 from companies controlled by common directors.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The company is not subject to any capital requirements imposed by a regulator.

Note 13 Financial Instruments

Fair Value of Financial Instrument

Financial instruments include cash, marketable securities, Long-term investments, accounts payable and accrued liabilities and advances payable. The fair value of these financial instruments approximates their carrying value. In management's opinion, the Company is not exposed to significant interest or credit risks arising from these financial instruments except as follows:

Foreign Exchange Risk

The Company is exposed to fluctuations in foreign currencies through its operations in Mexico. The Company monitors this exposure, but has no hedge positions. As at December 31, 2008, the Company had cash totalling \$55,270 (616,711 in Pesos).

Liquidity Risk

The Company is exposed to liquidity risk which is the risk that the Company will encounter difficulty in selling all of the long-term investments at an amount equivalent to its carrying cost.

Note 13 Financial Instruments - (cont'd)

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of gold.