

**MASUPARIA GOLD CORPORATION**

**INTERIM FINANCIAL STATEMENTS**

March 31, 2011

*(Unaudited)*

*UNAUDITED INTERIM 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 March 31, 2011.

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**NOTICE TO READER**

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The interim balance sheet as at March 31, 2011 and the interim statements of loss and deficit, and the interim statements of cash flows for the six-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 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*

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David Baker, Director  
Vancouver, BC Canada  
May 30, 2011

*/s/ Earl Terris*

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Earl Terris, Director  
Vancouver, BC Canada  
May 30, 2011

**MASUPARIA GOLD CORPORATION**  
**INTERIM BALANCE SHEETS**

<b><u>ASSETS</u></b>	<b>March 31, 2011</b>	September 30, 2010
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current		
Cash	\$ 101,269	\$ 8,473
Taxes receivable	10,765	5,804
Prepaid expenses	<u>20,133</u>	<u>18,828</u>
	132,167	33,105
Equipment – Note 4	6,206	6,896
Long-term investments – Note 3	97,500	378,765
Resource property costs – Note 5 and Schedule 1	<u>1,364,579</u>	<u>1,359,363</u>
	<b><u>\$ 1,600,452</u></b>	<b><u>\$ 1,778,129</u></b>

**LIABILITIES**

Current		
Accounts payable and accrued liabilities	\$ 11,347	\$ 38,248
Amounts due to related party – Note 7	<u>65,000</u>	<u>90,000</u>
	<u>76,347</u>	<u>128,248</u>

**SHAREHOLDERS' EQUITY**

Share capital – Note 6	15,310,468	15,310,468
Contributed surplus – Note 6	269,009	269,009
Accumulated other comprehensive income – Note 10	38,153	256,493
Deficit	<u>(14,093,525)</u>	<u>(14,186,089)</u>
	<u>1,524,105</u>	<u>1,649,881</u>
	<b><u>\$ 1,600,452</u></b>	<b><u>\$ 1,778,129</u></b>

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

APPROVED ON BEHALF OF THE BOARD:

<u>David Baker</u> Director David Baker	<u>Earl Terris</u> Director Earl Terris
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SEE ACCOMPANYING NOTES

**MASUPARIA GOLD CORPORATION**  
**INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME AND LOSS**  
for the six months ended March 31, 2011 and 2010

	<b>Three months ended</b>		<b>Six Months ended</b>	
	<b>March 31</b>		<b>March 31</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General and Administrative Expenses				
Amortization	\$ 345	\$ 766	\$ 690	\$ 1,530
Bank charges	148	324	295	773
Consulting fees	10,500	10,500	21,000	21,343
Corporate and administration fees	6,000	6,000	12,000	12,000
Filing and transfer agent fees & services	9,044	8,377	9,703	10,333
Management fees	18,000	18,000	36,000	36,000
Office & miscellaneous	1,000	1,171	1,757	2,228
Professional fees	5,804	24,734	14,960	31,873
Rent, telephone, fax & internet	12,448	13,308	24,894	29,702
Shareholders' communication & promotion	200	400	500	690
Wages and benefits	-	-	-	1,333
	<u>( 63,489)</u>	<u>( 83,580)</u>	<u>( 121,799)</u>	<u>( 147,805)</u>
Other items				
Interest income	12	-	12	-
Foreign exchange gain (loss)	-	449	-	132
Gain (loss) from sale of securities	214,351	-	214,351	(159)
	<u>150,874</u>	<u>( 83,131)</u>	<u>92,564</u>	<u>( 147,832)</u>
Net income (loss) for the period				
Unrealized gain (loss) on available-for-sale assets	(2,500)	(18,476)	(11,738)	258,669
Reclassification of realized gain on sale of securities	(206,602)	(18,476)	(206,602)	-
	<u>(209,102)</u>	<u>(18,476)</u>	<u>(218,340)</u>	<u>258,669</u>
Comprehensive gain (loss) for the period	\$ <u>(58,228)</u>	\$ <u>(101,607)</u>	\$ <u>(125,776)</u>	\$ <u>110,837</u>
Loss per share				
Basic			<u>\$ 0.01</u>	<u>\$ (0.01)</u>
Diluted			<u>\$ 0.01</u>	
Weighted average number of shares outstanding				
Basic			<u>10,952,887</u>	<u>10,952,887</u>
Diluted			<u>11,043,464</u>	

SEE ACCOMPANYING NOTES

**MASUPARIA GOLD CORPORATION**  
**INTERIM STATEMENTS OF DEFICIT**  
for the six months ended March 31, 2011 and 2010

	<b>Three months ended March 31</b>		<b>Six Months ended March 31</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
Deficit, beginning of the period	<b>\$(14,244,399)</b>	\$(14,042,668)	<b>\$(14,186,089)</b>	\$(13,977,967)
Net loss for the period	<u><b>150,874</b></u>	<u>(83,131)</u>	<u><b>92,564</b></u>	<u>(147,832)</u>
Deficit, end of the period	<u><b>\$(14,093,525)</b></u>	<u>\$(14,125,799)</u>	<u><b>\$(14,093,525)</b></u>	<u>\$(14,125,799)</u>

SEE ACCOMPANYING NOTES

**MASUPARIA GOLD CORPORATION**  
**INTERIM STATEMENTS OF CASH FLOWS**  
for the six months ended March 31, 2011 and 2010

	<b>Three months ended</b>		<b>Six Months ended</b>	
	<b>March 31</b>		<b>March 31</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
Operating Activities				
Net loss for the period	<b>\$ 150,874</b>	\$ ( 83,131)	<b>\$ 92,564</b>	\$ (147,832)
Charges not affecting cash:				
Amortization	<b>345</b>	766	<b>690</b>	1,530
Loss (gain) from disposition of fixed assets	<b>(214,351)</b>	-	<b>(214,351)</b>	159
	<u>( 63,132)</u>	<u>( 82,365)</u>	<u>(121,097)</u>	<u>(146,143)</u>
Changes in non-cash working capital balances:				
Accounts receivable	<b>( 4,607)</b>	( 2,345)	<b>(4,961)</b>	(2,021)
Prepaid expenses and advances	<b>( 652)</b>	( 639)	<b>(1,305)</b>	(859)
Accounts payable and accrued liabilities	<b>( 32,227)</b>	( 8,289)	<b>(26,901)</b>	(33,526)
	<u>(100,618)</u>	<u>( 93,638)</u>	<u>(154,264)</u>	<u>(182,549)</u>
Financing Activity				
Advance payable	<b>(75,000)</b>	15,500	<b>(25,000)</b>	15,500
Investing Activities				
Deferred exploration costs	<b>( 4,610)</b>	( 5,109)	<b>(5,216)</b>	(5,511)
Proceeds from sale of equipment	<b>277,276</b>	-	<b>277,276</b>	1,572
	<u>272,666</u>	<u>( 5,109)</u>	<u>272,060</u>	<u>(3,939)</u>
Effect on cash from foreign exchange	-	-	-	460
Increase (Decrease) in cash during the period	<b>97,048</b>	(83,247)	<b>92,796</b>	(170,528)
Cash, beginning of the period	<b>4,221</b>	86,062	<b>8,473</b>	173,343
Cash, end of the period	<b>\$ 101,269</b>	\$ 2,815	<b>\$ 101,269</b>	\$ 2,815

SEE ACCOMPANYING NOTES

**MASUPARIA GOLD CORPORATION**  
**SCHEDULE OF RESOURCE PROPERTY COSTS**  
**for the six months ended March 31, 2011**

Schedule 1

Greywacke

Balance, September 30, 2009	<u>1,352,451</u>
Deferred exploration expenditures	
Assays	1,879
Consulting fees	4,500
Permits	520
Staking and maintenance	<u>13</u>
	<u>6,912</u>
Balance, September 30, 2010	<u>\$ 1,359,363</u>
Deferred exploration expenditures	
Assays	1,216
Consulting fees	<u>4,000</u>
	<u>5,216</u>
Balance, March 31, 2011	<u>\$ 1,364,579</u>

SEE ACCOMPANYING NOTES

**MASUPARIA GOLD CORPORATION**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
March 31, 2011

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 March 31, 2011, the Company had not yet achieved profitable operations, has accumulated losses of \$14,093,525 since inception, has a working capital of \$55,820 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 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 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 financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera Masuparia S.A.de C.V. (“Minera”) up until April 12, 2010 at which time Minera was disposed of. As a result the financial statements only include consolidated operations up until the date of disposition (Note 8 & 9). 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 March 31, 2011, 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 six months ended March 31, 2011, potentially dilutive common shares (relating to share purchase options outstanding) totalling 33,000 were included in the computation of diluted loss per share.

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) Financial Instruments

The Company has designated its financial instruments as follows: cash is classified as held-for-trading which is 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 amounts due to related party are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

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. The standard establishes a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

Financial instruments classified as level 1 – quoted prices in active markets include cash and long-term investments. The Company has no financial instruments classified as level 2 or 3.

j) Impairment of Long-lived Assets

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 carrying value is greater than the future expected cash flow, an impairment loss is recognized. An impairment loss is calculated as the difference between the fair value, calculated using discounted cash flows when quoted market prices are not available and the carrying amount of the asset. There was no write-down or impairment of mineral properties during the six months ended March 31, 2011.

Note 2     Significant Accounting Policies – (cont'd)

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)   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. No revenues were recognized during the six months ended March 31, 2011.

m)   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.

n)   Recently Adopted Canadian Accounting Standards

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, provides guidance on how to take into account an entity's own credit risk and the credit risk of the counter party in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The adoption of this standard did not have an impact on the Company's financial statements.

Mining Exploration Costs

On March 27, 2009, EIC-174, Mining Exploration Costs, provides guidance on the capitalization of exploration costs and the impairment review of exploration costs. The adoption of this standard did not have an impact on the Company's financial statements.

Note 2     Significant Accounting Policies – (cont'd)

o) Future Accounting Standards

Business Combinations

CICA Handbook Section 1582, Business Combinations, replaces Section 1581, Business Combinations and provides the Canadian equivalent to International Financial Reporting Standards (“IFRS”) 3, Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The adoption of this standard is not expected to have a material impact on the Company’s financial statements

Consolidations and Non-controlling Interests

Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company expects to adopt this standard on October 1, 2011. The adoption of this standard is not expected to have a material impact on the Company’s financial statements.

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 Company’s transition date of October 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 March 31, 2011, the Company had available for sale 500,000 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 March 31, 2011 in accordance with the accounting policy on financial instruments.

	<u>March 31,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>
<u>Long-term investments</u>		
1,847,636 Goldbrook shares at market (cost \$86,272)	\$ -	\$ 378,765
500,000 Goldbrook shares at market (cost \$23,347)	\$ 97,500	\$ -

During the six months ended March 31, 2011, the Company disposed 1,347,636 Goldbrook shares with net proceeds of \$277,276.

The Company recorded an unrealized loss on available-for-sale assets of \$11,738 (2010: an unrealized gain of \$258,669) to comprehensive income due to a decrease in fair value of the price of the remaining Goldbrook common shares.

Note 4 Equipment

	<u>March 31, 2011</u>		
	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u>
Furniture and equipment	<u>\$ 28,296</u>	<u>\$ 22,090</u>	<u>\$ 6,206</u>
	<u>September 30, 2010</u>		
	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u>
Furniture and equipment	<u>\$ 28,296</u>	<u>\$ 21,400</u>	<u>\$ 6,896</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).

Note 5 Resource Property Costs – (cont'd)

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.

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, 2009 and 2010	<u>10,952,887</u>	<u>\$ 15,310,468</u>	<u>\$ 269,009</u>
Balance, March 31, 2011	<u>10,952,887</u>	<u>\$ 15,310,468</u>	<u>\$ 269,009</u>

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 six months ended March 31, 2011.

Note 6 Share Capital – (cont'd)

c) Commitments: – (cont'd)

i) Stock-based Compensation Plan – (cont'd)

A summary of the Company's outstanding stock options as of March 31, 2011 is as follows:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable at September 30, 2009	46,000	\$2.55
Forfeited	<u>(13,000)</u>	\$2.55
Outstanding and exercisable at September 30, 2010	<u>33,000</u>	\$2.55
Outstanding and exercisable at March 31, 2011	<u>33,000</u>	\$2.55

At March 31, 2011, there were 33,000 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>
33,000	\$2.55	November 5, 2011

Weighted average contractual life remaining is 0.60 years.

Note 6 Share Capital – (cont'd)

c) Commitments: – (cont'd)

ii) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants at March 31, 2011 is presented below:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable at September 30, 2009 and 2010	<u>1,497,000</u>	\$1.00
Expired	<u>(1,497,000)</u>	
Outstanding and exercisable at March 31, 2011	<u>                  -</u>	

At March 31, 2011, there were no share purchase warrants outstanding.

Note 7 Related Party Transactions

During the six months ended March 31, 2011 and 2010, the Company was charged the following amounts by companies owned by directors:

	<u>2011</u>	<u>2010</u>
Management fees	\$ 36,000	\$ 36,000
Consulting fees – financial	7,500	7,500
– investors’ relations	12,000	12,000
Equipment rental	8,719	8,719
Professional fees	9,000	9,000
Rent	<u>3,000</u>	<u>3,000</u>
	<u>\$ 76,219</u>	<u>\$ 76,219</u>

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

At March 31, 2011, the Company had an advance payable of \$65,000 (2010: \$15,500 to a company controlled by a director of the Company. The advance payable was unsecured, non-interest bearing payable on demand.

Note 8 Sale of Mexican Subsidiary

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 statement of operations and comprehensive loss for the year ended September 30, 2010 as the amount of gross proceeds of \$95,971 less \$6,041 being the net book value of the net assets of Minera.

Note 9 Segmented Information

On April 12, 2010, the Company disposed its Mexico subsidiary, Minera, for gross proceeds of \$95,971, 25% of which has been withheld for Mexican income tax purposes.

As at March 31, 2011, the Company is primarily engaged in mining exploration activities in Canada. Segmented operations and identifiable assets are as follows:

	Six months ended March 31	
	2011	2010
Gain (loss) from operations		
Canada	\$ 92,564	\$ (142,370)
Mexico	<u>-</u>	<u>(5,462)</u>
	<u>\$ 92,564</u>	<u>\$ (147,832)</u>
Identifiable assets		
Canada	\$ 1,600,452	\$ 1,942,420
Mexico	<u>-</u>	<u>10,273</u>
	<u>\$ 1,600,452</u>	<u>\$ 1,952,693</u>

Note 10 Accumulated Other Comprehensive Income

	March 31	
	2011	2010
Balance, beginning of the period	\$ 256,493	\$ 209,350
Unrealized gain (loss) on available-for-sale financial assets during the period (Note 3)	(11,738)	258,669
Reclassification of realized gain on sale of securities	<u>(206,602)</u>	<u>-</u>
Balance, end of the period	<u>\$ 38,153</u>	<u>\$ 468,019</u>

Note 11 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.

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 12 Financial Instruments

Fair Value of Financial Instrument

Financial instruments include cash, long-term investments, accounts payable and accrued liabilities and amounts due to related party. 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:

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.

#### 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.

#### Note 13 Subsequent Events

Subsequent to March 31, 2011, the Company paid back the \$65,000 advance payable to the Company controlled by a director (Note 7).

#### Note 14 Restatement

During the preparation of the financial statements for the year ended September 30, 2010, the Company determined that a future income tax recovery had been incorrectly presented in the financial statements for the year ended September 30, 2009.

As at September 30, 2009, the fair value of the Company's marketable securities designated as available-for-sale exceeded the tax basis of these investments by \$209,350. These unrealized gains gave rise to a future income tax liability of \$14,000. The Company had sufficient non-capital losses available to reduce this future income tax liability to zero.

In accordance with CICA EIC 172, "Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain Recorded in Other Comprehensive Income", the reduction of the future income tax liability should have been recorded as a recovery in the statement of operations rather than as a recovery in other comprehensive income. This accounting policy was in effect for the Company's fiscal year ended September 30, 2009 where retroactive adoption was required.

The financial statements for the year ended September 30, 2009 have accordingly been adjusted to increase the future tax recovery in the statement of operations and reduce the unrealized gain on available-for-sale financial assets in comprehensive income by \$14,000.

The impact on basic and diluted gain loss share is a decrease in the loss per share from (\$0.73) to (\$0.72). In addition the financial statements for the year ended September 30, 2009 have been accordingly adjusted to decrease both the opening deficit and accumulated comprehensive income by \$12,000 to reflect the impact on the opening figures as a result of the retroactive adoption of EIC 172.

Note 14 Restatement (Cont'd)

Summary of restatement:

<u>September 30, 2009</u>	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Income tax (expense) recovery	\$ -	\$ 14,000	\$ 14,000
Net loss for the year	(\$ 2,700,712)	\$ 14,000	(\$ 2,686,712)
Unrealized gain on available-for-sale investment	\$ 110,858	(\$ 14,000)	\$ 96,858
Deficit, beginning of the year	(\$11,277,255)	\$ 12,000	(\$11,265,255)
Deficit, end of the year	(\$13,977,967)	\$ 26,000	(\$13,951,967)
Accumulated other comprehensive income, beginning of the year	\$ 98,492	(\$ 12,000)	\$ 86,492
Accumulated other comprehensive income, end of the year	\$ 209,350	(\$ 26,000)	\$ 183,350