MASUPARIA GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009 and 2008

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AUDITORS' REPORT

To the Shareholders,
Masuparia Gold Corporation

We have audited the consolidated balance sheets of Masuparia Gold Corporation as at September 30, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, Canada
January 27, 2010

MASUPARIA GOLD CORPORATION
CONSOLIDATED BALANCE SHEETS
September 30, 2009 and 2008

		(Restated – Note 12)
ASSETS	**2009**	2008
Current		
Cash	**$ 173,343**	$ 148,024
GST receivables	**3,276**	2,632
Prepaid expenses	**17,112**	21,215
	193,731	171,871
Equipment – Note 4	**18,078**	31,107
Long-term investments – Note 3	**295,622**	184,764
Resource property costs – Note 5 and Schedule 1	**1,352,451**	3,701,766
	$ 1,859,882	$ 4,089,508
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 7	**$ 49,022**	$ 279,044
Advances payable – Note 7	**-**	765,000
	49,022	1,044,044
SHAREHOLDERS' EQUITY		
Share capital – Note 6	**15,310,468**	13,688,968
Share subscriptions received – Note 6	**-**	266,250
Contributed surplus – Note 6	**269,009**	269,009
Accumulated other comprehensive income – Note 10	**209,350**	98,492
Deficit	**(13,977,967)**	(11,277,255)
	1,810,860	3,045,464
	$ 1,859,882	$ 4,089,508

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

APPROVED ON BEHALF OF THE BOARD:

"David Baker" Director — *"Earl Terris"* Director

David Baker — Earl Terris

SEE ACCOMPANYING NOTES

MASUPARIA GOLD CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

for the years ended September 30, 2009 and 2008

	2009	(Restated – Note 12) 2008
General and Administrative Expenses		
Amortization	**$ 5,209**	$ 5,303
Bank charges	**2,281**	14,526
Consulting fees – Note 7	**60,667**	72,659
Corporate and administration fees	**25,000**	31,700
Exploration assessment costs	**11,500**	14,759
Filing and transfer agent fees & services	**34,474**	23,589
Management fees – Note 7	**62,000**	56,500
Office & miscellaneous	**3,916**	14,191
Professional fees – Note 7	**105,901**	85,958
Rent, telephone, fax & internet – Note 7	**65,590**	73,635
Shareholders' communication & promotion	**8,694**	15,088
Travel	**9,026**	3,188
Wages and benefits	**93,313**	-
	(487,571)	(411,096)
Other items		
Interest income	**354**	1,877
Other income – Note 8	**1,918**	38,638
Foreign exchange loss	**(6,044)**	(17,772)
Loss from sale of securities	**-**	(61,447)
Loss from disposition of equipment	**(4,269)**	-
Write-off of mineral properties	**(2,205,100)**	-
Net loss for the year	**(2,700,712)**	(449,800)
Reclassification on realization of gain on sale of available-for-sale investment	**-**	(173,946)
Unrealized gain (loss) on available-for-sale assets	**110,858**	(461,909)
Comprehensive loss for the year	**$ (2,589,854)**	$ (1,085,655)
Basic and diluted loss per share	**$ (0.73)**	$ (0.35)
Weighted average number of shares outstanding	**3,713,219**	1,278,769

SEE ACCOMPANYING NOTES

MASUPARIA GOLD CORPORATION
CONSOLIDATED STATEMENTS OF DEFICIT
for the years ended September 30, 2009 and 2008

	2009	(Restated – Note 12) 2008
Deficit, beginning of the year As previously reported	**$ (11,739,164)**	$ (10,827,455)
Prior period adjustment (Note 12)	**461,909**	-
As restated	**(11,277,255)**	(10,827,455)
Net loss for the year	**(2,700,712)**	(449,800)
Deficit, end of the year	**$ (13,977,967)**	$ (11,277,255)

SEE ACCOMPANYING NOTES

MASUPARIA GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended September 30, 2009 and 2008

	2009	(Restated – Note 12) 2008
Operating Activities		
Net loss for the year	**$(2,700,712)**	$ (449,800)
Charges not affecting cash:		
Amortization	**5,209**	5,303
Write-off of mineral properties	**2,205,100**	-
Loss from disposition of equipment	**4,269**	-
Loss from sale of securities	**-**	61,448
	(486,134)	(383,049)
Changes in non-cash working capital balances:		
GST receivable	**(644)**	16,859
Prepaid expenses and advances	**4,103**	19,748
Accounts payable and accrued liabilities	**(251,382)**	(5,649)
	(734,057)	(352,091)
Financing Activities		
Issuance of common shares	**1,355,250**	913,135
Advance payable	**(765,000)**	765,000
Shares subscribed	**-**	380,550
	590,250	2,058,685
Investing Activities		
Deferred exploration costs	**144,728**	(2,071,060)
Advance on mineral property expenditures	**(422)**	25,275
Equipment acquisition	**(479)**	(21,137)
Proceeds from disposition of equipment	**3,152**	-
Proceeds from marketable securities and long-term investments	**-**	237,932
	146,979	(1,828,990)
Effect on cash from foreign exchange	**22,147**	12,872
Increase (decrease) in cash during the year	**25,319**	(109,524)
Cash, beginning of the year	**148,024**	257,548
Cash, end of the year	**$ 173,343**	$ 148,024
Supplementary information:		
Cash paid for:		
Interest	**$ -**	$ -
Income taxes	**$ -**	$ -

Non-cash Transactions – Note 15

SEE ACCOMPANYING NOTES

MASUPARIA GOLD CORPORATION Schedule 1

SCHEDULE OF CONSOLIDATED RESOURCE PROPERTY COSTS

for the years ended September 30, 2009 and 2008

	Greywacke	Tenoriba	Sucara	Total
Balance, September 30, 2007	$ 1,015,456	$ 370,482	$ 24,466	$ 1,410,404
Property payment	-	221,785	48,588	270,373
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	9,947	250,321	145	260,413
	331,812	1,679,959	9,218	2,020,989
Balance, September 30, 2008	1,347,268	2,272,226	82,272	3,701,766
Deferred exploration expenditures				
Assays (recovery)	(4,292)	44,733	-	40,441
Consulting fees	9,000	9,423	-	18,423
Drilling (recovery)	(97)	(14,150)	-	(14,247)
Equipment rental and repairs (recovery)	(648)	9,293	-	8,645
Field work and field supplies	775	13,596	-	14,371
Mapping and reports	-	9,364	-	9,364
Mining concession tax	-	5,694	320	6,014
Permits	433	-	-	433
Office overhead	-	3,454	-	3,454
Staking and maintenance	12			12
Value added taxes (recovery)	-	(247,337)	-	(245,337)
Wages and casual labour	-	16,212	-	16,212
	5,183	(149,718)	320	(144,215)
Write-off of mineral properties	-	(2,122,508)	(82,592)	(2,205,100)
Balance, September 30, 2009	$ 1,352,451	$ -	$ -	$ 1,352,451

SEE ACCOMPANYING NOTES

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 September 30, 2009, the Company had not yet achieved profitable operations, has accumulated losses of $13,977,967 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.

Pursuant to the shareholders' approval at the annual and special general meeting of shareholders held on June 15, 2009, the Company has consolidated its capital on a 10 old for 1 new basis. Effective at the opening July 16, 2009, the shares of the Company commenced trading on TSX Venture Exchange on a consolidated basis.

The numbers of shares and issue prices per share in these financial statements and notes have been retrospectively restated to reflect the share consolidation.

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:

Note 2 Significant Accounting Policies – (cont'd)

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.

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 is 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.

Note 2 Significant Accounting Policies – (cont'd)

d) Asset Retirement Obligations – (cont'd)

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 September 30, 2009 and 2008, the Company has determined that it does not have any asset retirement obligations.

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 year ended September 30, 2009, potentially dilutive common shares (relating to share purchase options and warrants outstanding) totalling 1,543,000 (2008: 876,112) 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.

Note 2 Significant Accounting Policies – (cont'd)

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.

i) Value-added Taxes Recoverable

The Company incurred value-added taxes ("VAT") in Mexico during the years ended September 30, 2009 and 2008 which relates to mineral property expenditures and other expenses. Due to uncertainty surrounding the collection, the Company has classified the amount within its deferred exploration expenditures.

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.

Note 2 Significant Accounting Policies – (cont'd)

j) Financial Instruments – (cont'd)

In accordance with this new standard, 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 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.

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. (Note 14)

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 is expensing these costs where applicable, and determined that no adjustments are currently required.

k) 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. During the year ended September 30, 2009, the Company abandoned some of its mineral properties totalling $2,205,100 (2008: $Nil) (Note 5).

Note 2 Significant Accounting Policies – (cont'd)

l) 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.

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.

o) 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 did not have an impact on the Company's financial results. (Note 13)

p) 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. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, these uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. Because of management's assessment, the Company has prepared the consolidated financial statements on a going concern basis.

Note 2 Significant Accounting Policies – (cont'd)

q) 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 did not result in any changes in the disclosure within the financial statements.

r) Recently Released 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. These changes are effective for the Company commencing October 1, 2009. 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. These changes are effective for the Company commencing October 1, 2009. The adoption of this standard did not have an impact on the Company's financial statements.

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.

Note 2 Significant Accounting Policies – (cont'd)

r) Recently Released Canadian Accounting Standards – (cont'd)

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 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 September 30, 2009, the Company had available for sale 1,847,636 common shares of Goldbrook Ventures Inc. ("Goldbrook"), a public company related by virture of common directors.

Long-term investments were recorded at fair value as at September 30, 2009 and 2008 in accordance with the new accounting policy on financial instruments.

	September 30, 2009	September 30, 2008
Long-term investments		
1,847,636 Goldbrook shares at market (cost $86,272)	$ 295,622	$ 184,764

Note 3 Long-term Investments

During the year ended September 30, 2009, the Company recorded an unrealized gain (loss) of $110,858 (2008: ($461,909)) to comprehensive income due to an increase in fair value of the price of the Goldbrook common shares.

Note 4 Equipment

	September 30, 2009		
	Cost	Accumulated Amortization	Net
Furniture and equipment	$ 41,908	$ 23,830	$ 18,078

	September 30, 2008		
	Cost	Accumulated Amortization	Net
Furniture and equipment	$ 51,474	$ 20,367	$ 31,107

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.

Note 5 Resource Property Costs – (cont'd)

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 consisted of two mining claims totalling 161 hectares located in the State of Chihuahua, Mexico in the municipality of Guadalupe y Calvo. During the year ended September 30, 2009, the Company terminated these option agreements and wrote off $82,592 in acquisition costs and deferred exploration costs.

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 consisted of three mining claims totalling 8,100 hectares, located in the municipality of Guadalupe y Calvo, State of Chihuahua, Mexico. During the year ended September 30, 2009, the Company terminated these option agreements and wrote off $2,122,508 in acquisition costs and deferred exploration costs.

Note 6 Share Capital

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

		Number	Amount	Contributed Surplus
Balance, September 30, 2007		1,029,887	$ 12,775,833	$ 269,009
For cash:				
– exercise of warrants	– at $2.80	10,000	28,000	-
– exercise of warrants	– at $2.40	11,000	26,400	-
– exercise of warrants	– at $2.55	5,000	12,750	-
– pursuant to a private placement	– at $2.30	400,000	920,000	-
Share issue costs		-	(74,015)	-
Balance, September 30, 2008		1,455,887	13,688,968	269,009
For cash:				
– pursuant to a private placement	– at $0.50	1,497,000	748,500	-
– pursuant to a private placement	– at $0.1125	8,000,000	900,000	-
Share issue costs		-	(27,000)	-
Balance, September 30, 2009		10,952,887	$ 15,310,468	$ 269,009

Note 6 Share Capital – (cont'd)

b) Issued: – (cont'd)

On March 4, 2008, the Company completed a non-brokered private placement of 400,000 units of the Company at a price of $2.30 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 $3.50. The Company applied the residual approach and allocated all proceeds to common shares and none to warrants. Finders' fees were paid in the amount of $74,015.

On October 8, 2008, the Company closed a non-brokered private placement of 1,497,000 units of the Company at a price of $0.50 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 $1.00. The Company applied the residual approach and allocated all proceeds to common shares and none to warrants. Finders' fees were paid in the amount of $27,000.

On August 26, 2009, the Company closed a non-brokered private placement of 8,000,000 shares of the Company at a price of $0.1125 per share for gross proceeds of $900,000. No finder's fees were paid in respect of this private placement.

c) Share Consolidation

At the annual and special general meeting of shareholders held on June 15, 2009, the shareholders of the Company approved the consolidation of the Company's common shares on a one new for ten old (1:10) basis. The Company effected the share consolidation from July 16, 2009. The Company has retrospectively restated the number of shares and issue prices per share in these financial statements on the new basis to reflect the consolidation.

d) 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 years ended September 30, 2009 and 2008.

Note 6 Share Capital – (cont'd)

d) Commitments: – (cont'd)

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

A summary of the Company's outstanding stock options as of September 30, 2009 and 2008 is as follows:

	Number	Weighted Average Exercise Price
Outstanding and exercisable at September 30, 2007 and 2008	54,762	$6.94
Expired	(8,762)	$30.00
Outstanding and exercisable at September 30, 2009	46,000	$2.55

At September 30, 2009, there were 46,000 stock options outstanding and fully vested entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Shares	Exercise Price	Expiry Date
46,000	$2.55	November 5, 2011

Weighted average contractual life remaining is 2.10 years.

Note 6 Share Capital – (cont'd)

d) Commitments: – (cont'd)

ii) Share Purchase Warrants – (cont'd)

A summary of the Company's outstanding share purchase warrants at September 30, 2009 and 2008 is presented below:

	Number	Weighted Average Exercise Price
Outstanding and exercisable at September 30, 2007	750,670	$2.64
Issued	400,000	$3.50
Exercised	(26,000)	$2.80
Expired	(303,320)	$3.00
Outstanding and exercisable at September 30, 2008	821,350	$2.96
Issued	1,497,000	$1.00
Expired	(124,000)	$2.55
Expired	(400,000)	$3.50
Expired	(297,350)	$2.40
Outstanding and exercisable at September 30, 2009	1,497,000	$1.00

At September 30, 2009, there were 1,497,000 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of Shares	Exercise Price	Expiry Date
1,497,000	$1.00	October 8, 2010

The weighted average contractual life remaining is 1.02 years.

Note 7 Related Party Transactions

During the years ended September 30, 2009 and 2008, the Company was charged the following amounts by companies owned by directors:

	2009	2008
Management fees	$ 62,000	$ 56,500
Consulting fees – financial	22,500	30,000
– investors' relations	27,000	31,250
Equipment rental	17,438	15,443
Professional fees	12,250	11,500
Rent	5,000	-
	$ 146,188	$ 144,693

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

At September 30, 2009, accounts payable and accrued liabilities included $Nil (2008: $10,547) due to companies with common directors for expenses paid on behalf of the Company.

At September 30, 2009, the Company had an advance payable of $Nil (2008: $765,000) to companies controlled by directors. The advance payable was unsecured, non-interest bearing payable on demand and repaid in 2009.

Note 8 Other Income

During the year ended September 30, 2009, the Company recognized $1,918 (2008: $38,638) other income as a result of administrating the Greywacke exploration project as the operator.

Note 9 Segmented Information

As at September 30, 2009 and 2008, the Company is primarily engaged in mining exploration activities in Canada and Mexico. Segmented operations and identifiable assets are as follows:

	Years ended September 30 2009	(Restated – Note 12) 2008
Loss from operations		
Canada	$ (419,280)	$ (374,985)
Mexico	(2,281,432)	(74,815)
	$ (2,700,712)	$ (449,800)
Identifiable assets		
Canada	$ 1,828,799	$ 1,727,154
Mexico	31,083	2,362,354
	$ 1,859,882	$ 4,089,508

Note 10 Accumulated Other Comprehensive Income

	2009	(Restated – Note 12) 2008
Balance, beginning of the year	$ 98,492	$ 734,347
Reclassification on realization of gain on sale of available-for-sale investment	-	(173,946)
Unrealized gain(loss) on available-for-sale financial assets during the year (Note 3)	110,858	(461,909)
Balance, end of the year	$ 209,350	$ 98,492

Note 11 Income Taxes

The Company and its subsidiary have accumulated non-capital losses totalling $4,844,000 available to reduce future years' taxable income. These losses expire as follows:

	Canada	Mexico	Total
2010	125,000	-	125,000
2014	218,000	-	218,000
2015	293,000	-	293,000
2017	-	756,000	756,000
2018	-	1,718,000	1,718,000
2019	-	273,000	273,000
2026	186,000	-	186,000
2027	553,000	-	553,000
2028	266,000	-	266,000
2029	456,000	-	456,000
	$ 2,097,000	$ 2,747,000	$ 4,844,000

The Company has accumulated capital losses of $1,561,000 which may be carried forward indefinitely and applied against future capital gains.

The Company has accumulated Canadian and foreign exploration and development expenditures totalling $5,349,000 available to reduce future years' taxable income. These expenditures carry forward indefinitely and can be applied to taxable income at various rates.

A reconciliation of income taxes at statutory rates is as follows:

	2009	2008
a) Loss before income taxes	$ (2,700,712)	$ (499,800)
Statutory income tax rates	30.13%	31.91%
Computed income tax recovery	$ (813,600)	$ (143,500)
Lower tax rate in foreign jurisdiction	48,500	-
Effect of reduction in statutory rate	90,100	-
Non-deductible stock-based compensation and other items	135,700	(57,100)
Shares issue costs	(6,800)	(19,200)
Expiry of loss carry-forward	69,400	152,500
Net change in valuation allowance	476,700	67,300
Total income taxes (recovery)	$ -	$ -

Note 11 Income Taxes – (cont'd)

b) Significant components of the Company's future income tax assets are as follows:

	2009	2008
Non-capital loss carryforwards	$ 1,169,000	$ 1,192,000
Capital loss carryforwards	195,000	203,000
Resource costs	999,000	476,000
Share issue costs	23,000	26,000
Equipment	12,000	11,000
Other	20,000	20,000
Marketable securities	(26,000)	(13,000)
	2,392,000	1,915,000
Less: valuation allowance	(2,392,000)	(1,915,000)
	$ -	$ -

The Company has recorded a valuation allowance against its future income tax assets based on the extent that it is more likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets.

Note 12 Restatement of prior year's figures

During the year ended September 30, 2008, an amount of $461,909 was recorded as impairment loss on available-for-sale assets when it should have been applied as an unrealized loss on available-for-sale assets. As a result of this correction, accumulated other comprehensive income has been reduced and deficit has increased. The basic and diluted loss per share has decreased from $0.70 to $0.35. As a result the 2008 financial statements have been adjusted to reflect the following:

	2008 Year end As Reported	Adjustment	As Restated
Impairment loss on available-for-sale assets	$ (461,909)	$ 461,909	$ -
Unrealized loss on available-for-sale assets	$ -	$ (461,909)	$ (416,909)
Deficit	$ (11,739,164)	$ 461,909	$ (11,277,255)
Accumulated other comprehensive income	$ 560,401	$ (461,909)	$ 98,492

Note 13 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 14 Financial Instruments

Fair Value of Financial Instrument

Financial instruments include cash, 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 September 30, 2009, the Company had cash totalling $20,830 (259,595 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.

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 15 Noncash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the year ended September 30, 2009 and 2008, the following were excluded from the statement of cash flows:

a) The Company's mineral property expenditures included $Nil (2008: $235,395) in accounts payable.
b) The Company issued 532,500 (2008: Nil) common shares valued at $266,250 (2008: $Nil) from share subscriptions received.