SUPERIOR MINING INTERNATIONAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2009 AND 2008

CHARTERED ACCOUNTANTS

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Auditors' Report

To the Shareholders of
Superior Mining International Corporation

We have audited the consolidated balance sheets of Superior Mining International Corporation as at July 31, 2009 and 2008 and the consolidated statements of operations and 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 July 31, 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.

Vancouver, Canada
November 9, 2009

"MacKay LLP"
Chartered Accountants

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT JULY 31

	2009	2008
ASSETS		
Current		
Cash and cash equivalents	$ 34,794	$ 1,839,228
Receivables	145,793	8,911
Prepaid expenses	-	7,266
	180,587	1,855,405
Mineral properties (Note 3)	1,602,574	358,089
Equipment (Note 4)	8,858	12,654
Loan receivables (Note 5)	-	90,000
Investments (Note 6)	583,277	4,863,192
	$ 2,375,296	$ 7,179,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 98,116	$ 116,739
Loan payable (Note 7)	708,000	708,000
	806,116	824,739
Future income tax payable	-	9,076
	806,116	833,815
Non-controlling interest	(8,854)	-
Shareholders' equity		
Capital stock (Note 8)	15,000,493	15,000,493
Contributed surplus (Note 8)	1,968,612	1,877,673
Deficit	(15,391,071)	(10,532,641)
	1,578,034	6,345,525
	$ 2,375,296	$ 7,179,340

Nature of operations and going concern (Note 1)
Commitment (Note 12)
Subsequent events (Note 17)

On behalf of the Board:

"John Proust" Director *"Cyrus Driver"* Director

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEARS ENDED JULY 31

	2009	2008
EXPENSES		
Administration	$ 15,383	$ 17,238
Amortization	3,796	743
Bank charges and interest	25,826	22,709
Consulting	86,776	131,580
Filing and transfer agent fees	14,474	22,906
Foreign exchange	148,992	(183,434)
Management fees	96,000	96,000
Office, telephone and printing	54,868	51,371
Professional fees	156,995	246,546
Property investigation	10,692	138,542
Stock-based compensation (Note 8)	90,939	575,184
Travel	12,576	3,490
Loss before other items	(717,317)	(1,122,875)
OTHER ITEMS		
Interest income	13,103	39,463
Mineral properties written-off	-	(249,697)
Write off of loan receivables (Note 5)	(114,203)	-
Unrealized loss on investment (Note 6)	(3,839,412)	(17,086,258)
Write down of investment (Note 6)	(218,531)	-
	(4,159,043)	(17,296,492)
Loss and comprehensive loss for the year before income tax and non-controlling interest	(4,876,360)	(18,419,367)
Non-controlling interest	8,854	-
Current income tax	-	(5,206)
Future income tax recovery	9,076	2,387,691
Loss and comprehensive loss for the year	(4,858,430)	(16,036,882)
Retained earnings (deficit), beginning of year	(10,532,641)	6,222,105
Impact from accounting changes relating to financial instruments	-	(717,864)
Deficit, end of year	$(15,391,071)	$(10,532,641)
Basic and diluted loss per common share	$ (0.14)	$ (0.48)
Weighted average common shares outstanding for basic loss per share	35,707,995	33,566,296

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss and comprehensive loss for the year	$ (4,858,430)	$(16,036,882)
Items not affecting cash		
Foreign exchange	148,992	(183,454)
Unrealized loss on investment	3,839,412	17,086,258
Amortization	3,796	743
Mineral properties written-off	-	249,697
Stock-based compensation	90,939	575,184
Future income tax recovery	(9,076)	(2,387,691)
Non-controlling interest	(8,854)	-
Write off of loan receivables	114,203	-
Write down of investment	218,531	-
Net change in non-cash working capital	(161,637)	36,818
Net cash used in operating activities	(622,124)	(659,307)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral properties and deferred exploration costs	(1,231,087)	(277,867)
Acquisition of capital assets	-	(14,887)
Loan receivable	(24,203)	-
Repayment of investment	58,392	-
Net cash used in investing activities	(1,196,898)	(292,754)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share for cash	-	1,968,000
Share issue costs	-	(147,462)
Loan proceeds	-	708,000
Net cash provided by financing activities	-	2,528,538
FOREIGN EXCHANGE ON CASH	14,588	(10,473)
Change in cash and cash equivalents for the year	(1,804,434)	1,566,004
Cash and cash equivalents, beginning of year	1,839,228	273,224
Cash and cash equivalents, end of year	$ 34,794	$ 1,839,228
Cash and cash equivalents consist of:		
Cash on hand	$ 34,794	$ 338,587
Term deposits	-	1,500,641
	$ 34,794	$ 1,839,228

Supplemental disclosure with respect to cash flows (Note 9)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Superior Mining International Corporation (the "Company") is a Canadian company incorporated in the Yukon Territory. The Company is primarily engaged in the acquisition, exploration and development of mineral properties.

The recoverability of the amounts comprising mineral properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development and upon future profitable production.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at July 31, 2009 the Company had an accumulated deficit of $15,391,071 (July 31, 2008 - $10,532,641). In addition, the Company has not generated significant revenues from operations. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Current market conditions make the present environment for raising additional equity financing unfavourable. An inability to raise additional financing may impact the future assessment of the Company as a going concern under CICA 1400 General Standards of Financial Statement Presentation. See Note 11 for further discussion regarding liquidity risk.

These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

Principles of consolidation

These financial statements include the accounts of the Company, its wholly owned subsidiaries Superior Mining South Africa (PTY) Corporation, Owl Eye Trading 71 (Pty) Ltd., Cinquarnis Diamonds (Pty) Ltd., Westland Minerals Limited., its proportionate share of Middelvlei Gold & Investments (Pty) Ltd. and its 87% ownership of Turquoise Moon Trading 403 Pty. Ltd. All inter-company transactions are eliminated on consolidation.

Assessing going concern

Effective August 1, 2008, the Company adopted CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. The adoption of this section did not have an impact on the Company’s financial results.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Effective August 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income" ("Section 1530"), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855"), Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events 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 Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are initially measured in the balance sheet at fair value except for certain related party transactions. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; (3) loans and receivables, held-to maturity investments and other financial liabilities are measured at amortized cost; and (4) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash and cash equivalents, commercial paper, plan notes, and shares in a publicly traded company as held-for-trading. Receivables and loan receivable are classified as loans and receivables. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities, which are measured at amortized cost.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are now deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

As a result of the application of Section 3855, the Company's retained earnings position as at August 1, 2007 was decreased by $717,864 to reflect the fair value of shares in a publicly traded company.

Effective August 1, 2008, the Company adopted CICA Handbook Section 3862, *Financial Instruments – Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement,* Section 3863, *Financial Instruments – Presentation,* and Section 3865, *Hedges.*

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Effective August 1, 2008, the Company adopted CICA Handbook Section 3863, *Financial Instruments – Presentation,* which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The adoption of section 3862 and 3863 did not have an impact on the Company's financial results.

Capital disclosures

Effective August 1, 2008, the Company adopted CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. The adoption of this section did not have an impact on the Company's financial results.

Goodwill and intangible assets

Effective August 1, 2008, the Company adopted 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 adoption of this section did not have an impact on the Company's financial results.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and term investments (at 2.6% interest per annum) that are readily cashable.

Measurement uncertainty and estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of stock-based compensation, impairment of assets, valuation of investments, provision for reclamation and useful lives for depreciation and amortization. Financial results as determined by actual events could differ from those estimates.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated fair value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The amounts recorded are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recorded amounts.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Joint interests

A portion of the Company's exploration and development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

Asset retirement obligation

Asset retirement obligations are recognized for expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation must be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying value of the related long-lived asset. The asset retirement cost is subsequently charged to operations in a rational and systematic manner over the underlying asset's useful life. The initial fair value of the asset retirement liability is accreted, by charges to operations, to its estimated future value. The Company has determined that there are no significant asset retirement obligations at July 31, 2009 and 2008.

Equipment and amortization

Amortization is calculated using the declining balance method at the following annual rate:

Vehicle	30%

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency translation

The Company's activities and those of its subsidiaries denominated in currencies other than Canadian dollars are translated as integrated operations using the temporal method. This method translates monetary balances at the rate of exchange at the balance sheet date, non-monetary balances at historic exchange rates and revenues and expense items at exchange rates in effect when incurred, except for amortization which is converted using rates prevailing at dates of acquisition. Any exchange gains or losses are included in the consolidated statements of operations.

Income (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on income (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the year ended July 31, 2009 and 2008, this calculation proved to be anti-dilutive.

Basic income (loss) per share is calculated using the weighted-average number of common shares outstanding during the year.

Stock-based compensation

The Company accounts for its stock-based compensation programs using the fair value method. The fair value of option grants is generally established at the date of grant using the Black-Sholes option pricing model and the expense is recognized over the vesting period, with offsetting amounts recorded as contributed surplus. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date which the equity instruments are granted if they are fully vested and non-forfeitable. The Company has not incorporated an estimated forfeiture rate for stock options, rather the Company accounts for actual forfeitures as they occur. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for the benefit of loss carryforwards. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Comparative figures

Certain comparative figures have been restated in order to conform with the current year's presentation.

Valuation of warrants

The Company has adopted the following policy with respect to the valuation of warrants issued as part of a private placement unit. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the attached warrants. The fair value attributed to the warrants, if any, is recorded in Warrants.

Impairment of long lived assets

The Company has adopted the recommendations of CICA Handbook Section 3063 "Impairment of Long-lived Assets" and abstract EIC 174, "Mining Exploration Costs" ("EIC 174") of the Emerging Issues Committee on a prospective basis. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be 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 circumstance 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.

EIC 174 provides that an enterprise that is in the development stage with initially capitalized exploration costs but has not established mineral reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property, is not obliged to conclude that the capitalized costs have been impaired. However, such an enterprise should consider whether a subsequent write-down of capitalized exploration costs related to mining properties is required.

Recent accounting pronouncements

Business Combinations

In January 2009, the AcSB released Section 1582, which replaces Section 1581 "Business Combinations". It provides the Canadian equivalent to IFRS 3 "Business Combinations". For the Company, this section applies prospectively to business combinations for which the acquisition is subsequent to August 1, 2011. Earlier application is permitted. Section 1582 must be applied together with Section 1601 and Section 1602 if it is implemented before August 1, 2011. The Company is currently evaluating the impact upon adoption.

Consolidated financial statements and Non-Controlling Interests

In January 2009, the AcSB also released Section 1601 "Consolidated financial statements" and Section 1602 "Non-controlling interest", which 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 the consolidated financial statements of the parent, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of IAS 27, "Consolidated and Separate Financial Statements". The Company is currently evaluating the impact upon adoption.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Consolidated financial statements and Non-Controlling Interests (cont'd…)

For the Company, these sections apply to interim and annual consolidated financial statements relating to the fiscal year beginning on or after August 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. These sections must be applied together with Section 1582 "Business Combinations" if they are implemented for a fiscal year beginning before August 1, 2011. The Company is currently evaluating the impact upon adoption.

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("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 August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 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.

3. MINERAL PROPERTIES

July 31, 2009	Mangalisa Project, South Africa	Westland Project, New Zealand	Placer Gold Project, New Zealand	Ray Thomas Project, New Zealand	Total
Acquisition costs:					
Balance, beginning of year	$ -	$ -	$ 77,781	$ 14,594	$ 92,375
Additions	3,843	2,447	12,906	8,323	27,519
Balance, end of year	3,843	2,447	90,687	22,917	119,894
Exploration expenditures incurred during the year					
Drilling	616,642	-	23,596	23,596	663,834
Geological and consulting	420,688	-	46,510	55,110	522,308
Office and miscellaneous	13,278	-	7,429	5,339	26,046
Travel and accommodations	-	-	2,389	2,389	4,778
	1,050,608	-	79,924	86,434	1,216,966
Balance, beginning of year	-	-	119,788	145,926	265,714
Total deferred exploration	1,050,608	-	199,712	232,360	1,482,680
Balance, end of year	$ 1,054,451	$ 2,447	$ 290,399	$ 255,277	$ 1,602,574

3. MINERAL PROPERTIES (cont'd…)

July 31, 2008	Placer Gold Project, New Zealand	Ray Thomas Project, New Zealand	Bothaville Gold Project, South Africa	Total
Acquisition costs:				
Balance, beginning of year	$ -	$ -	$ 170,000	$ 170,000
Additions	77,781	14,594	-	92,375
Written-off during the year	-	-	(170,000)	(170,000)
Balance, end of year	77,781	14,594	-	92,375
Exploration expenditures incurred during the year				
Geological and consulting	77,193	108,693	2,005	187,891
Legal and accounting	29,364	8,525	-	37,889
Office and miscellaneous	5,369	6,271	3,877	15,517
Travel and accommodations	7,117	21,692	7,761	36,570
Amortization (Note 4)	745	745	-	1,490
Written-off during the year	-	-	(79,697)	(79,697)
	119,788	145,926	(66,054)	199,660
Balance, beginning of year	-	-	66,054	66,054
Total deferred exploration	119,788	145,926	-	265,714
Balance, end of year	$ 197,569	$ 160,520	$ -	$ 358,089

Mangalisa project, South Africa

During the year ended July 31, 2008, the Company was granted a lease, giving it the right to explore in the eastern part of the Free State Goldfield in the village of Riebeekstad, South Africa.

Westland project, New Zealand

During the year ended July 31, 2009, the Company was granted a lease to explore a property close to the Ross property in New Zealand.

Ross Alluvial Goldfield, New Zealand

Placer gold project

During the year ended July 31, 2008, the Company entered into an option agreement to acquire a 100% ownership in certain mineral permits of a mineral property located near Ross Township, New Zealand through the purchase of all of the shares of Placer Gold Resources ("Placer").

The Company can acquire a 100% ownership of Placer and its permits over a 36 month option period. The Company must conduct a minimum of $500,000 of exploration and development work on the property within the first two years of the option period. If the measured and indicated mineral resource, defined under a pre-feasibility report, contains a minimum of 300,000 ounces of gold on the property, the Company will pay $3,000,000 and $10 for each additional ounce of gold. If the ounces of gold on the property are less than 300,000 ounces, the Company will pay a purchase price based on a formula of $10 for each ounce of gold.

3. MINERAL PROPERTIES (cont'd…)

Ross Alluvial Goldfield, New Zealand (cont'd…)

Ray Thomas project

During the year ended July 31, 2008, the Company entered into an option agreement to acquire a 100% ownership in certain mineral permits, licenses and applications to a mineral property located near Ross Township, New Zealand through the purchase of the shares of R & M Mining Limited ("R & M").

The Company can acquire 100% ownership of R & M and its permits and any other further permits by completing a feasibility report within five years. If the measured and indicated mineral resource defined in the feasibility report contains a minimum of one million ounces of gold on the property, the Company will pay $5,500,000 AUD (approximately $4,947,250 CAD) and $5.00 AUD (approximately $4.50 CAD) for each additional ounce of gold. If the ounces of gold on the property are less than one million ounces, the Company will pay a purchase price based on a formula of $5.50 AUD (approximately $4.95 CAD) for each ounce of gold.

Bothaville gold project, South Africa

During the year ended July 31, 2003, the Company entered into a proposed acquisition agreement ("Acquisition Agreement") to purchase all of the issued capital of Celina Overseas Limited ("Celina"). Celina has an option to purchase all of the issued capital of Owl Eye Trading 71 (Pty) Ltd. ("Owl Eye") from Alepro Inc. ("Owl Eye Acquisition"). During the year ended July 31, 2005, in accordance with the terms of the Acquisition Agreement, the Company issued 340,000 common shares valued at $170,000 to Alepro Inc. Thus, Celina has satisfied its obligations under the Owl Eye Acquisition. During the year ended July 31, 2006, all of the issued shares for Owl Eye were transferred from Celina directly to the Company. Owl Eye holds a prospecting permit in the Bothaville District, Free State, South Africa, as well as option agreements with holders of mineral and prospecting rights in adjoining areas.

During the year ended July 31, 2008, the Company abandoned the Bothaville gold project and wrote off its $249,697 investment to operations.

4. EQUIPMENT

	July 31, 2009			July 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Vehicle	$ 14,887	$ 6,029	$ 8,858	$ 14,887	$ 2,233	$ 12,654

5. LOAN RECEIVABLES

The loans are due from arms' length parties. The loans are as follows:

i) Unsecured and interest bearing at South Africa's prime rate from May 1, 2008 with a repayment date of January 15, 2009. During the year ended July 31, 2009, the Company determined that the loan was not recoverable and wrote off $90,000 (ZAR 1,200,000).

ii) Unsecured and non-interest bearing with a repayment date of September 15, 2009. During the year ended July 31, 2009, the Company determined that the loan was not recoverable and wrote off $24,203 (ZAR 322,700).

6. INVESTMENTS

	2009	2008
Shares in publicly traded company	$ -	$ 4,002,992
Canadian Asset-Backed Commercial Paper	-	860,200
Plan Notes	583,277	-
	$ 583,277	$ 4,863,192

During the year ended July 31, 2007 the Company acquired 7,210,000 shares representing approximately a 17.575% interest in Pamodzi Gold Limited, a public company quoted on the Johannesburg Stock Exchange. At August 1, 2007 the Company recognized a $717,864 decrease to retained earnings to reflect the opening fair value. At July 31, 2008, the share price was approximately ZAR 4.00 per share, which represented a market value of $4,002,992, resulting in an unrealized loss on investment, during 2008, of $17,086,258. During the year ended July 31, 2009, Pamodzi Gold Limited was taken off of the Johannesburg Stock Exchange and put into receivership. The Company determined that the shares have nil fair value and wrote off the investment, resulting in a loss on investment of $3,839,412.

At July 31, 2009, long-term investments included Master Asset Vehicle II notes received in exchange for Canadian third-party asset backed commercial paper ("ABCP") that was held by the Company. These investments were designated as held-for-trading and are accounted for at their fair value.

The market for asset-backed commercial paper not sponsored by banks froze up in early August 2007 after issuers were unable to roll over maturing notes. A Pan-Canadian Investors Committee for Third-Party Structured Asset-Backed Commercial Paper (the "Committee) was tasked with overseeing the restructuring of the ABCP. On January 12, 2009, the Ontario Superior Court approved a deal to swap essentially non-tradable, mortgage-backed debt for new securities. On January 21, 2009, the Committee announced the successful implementation of the restructuring plan. Upon the restructuring old short-term ABCP notes were exchanged for longer-term notes of various classes with maturities that generally approximate those of the assets previously contained in the underlying conduits. The Committee also announced that interest payment in respect of interest accrued since the original liquidity disruption in August 2007 to August 31, 2008 (net of restructuring costs) would be made in two installments based on the ABCP note type.

As part of the Plan, the Company received new notes ("Plan Notes") of various classes issued by trusts referred to as MAVII, including senior notes Class A-1, subordinated notes Class C, and ineligible tracking notes Class 13. At the time of the restructuring, DBRS assigned a rating "A" to the MAV II Class A-1 notes. The MAV II Class C and Class 13 notes have not been rated by DBRS.

6. INVESTMENTS (cont'd…)

Upon the restructuring, the Company received the Plan Notes as follows:

Notes	Maturity Date (1)	Interest Rate (2)	Face Value, $	Fair Value Estimate, $
MAV II Class A-1	July 2056	BA - 0.5%	847,870	567,350
MAV II Class C	July 2056	BA + 20%	26,222	2,622
MAV II Class 13 (Ineligible Asset Tracking Notes)	-	-	133,050	13,305
Total			1,007,142	583,277

(1) Maturity date reflects legal maturity date. Latest maturity date of underlying assets is December 2016.
(2) BA rate is Canadian dollar Bankers Acceptance interest rate with a maturity of 90 days.

Accounting for the exchange of the ABCP for new notes included removal of the ABCP from the Company's balance sheet and recognition of the new notes at their fair value. The new notes are classified as held-for-trading under the Company's Financial Instruments Policy which requires them to be fair valued at each period end with changes in fair value included in the statement of operations in the period in which they arise. The fair value is determined using a discounted cash flow approach based on the maximum use of inputs observed from the market on reporting dates.

The fair value of the Class A-1 notes was established using a discounted cash flow approach based on the following inputs: the notes will pay interest at a rate 0.5% less than the bankers' acceptance ("BA") rate, prospective buyers of these notes estimated to require premium yields 5% over the BA rate, average maturity of Class A -1 Notes estimated to be 7.5 years. The Class C Notes are subordinated to the Class B Notes with respect to payment of interest and principal, and no amounts will be paid with respect to the Class C Notes until the Class B Notes are repaid in full. The Class C notes are viewed as highly speculative with regard to ultimate payment of principal at maturity in 2016. Accordingly, it is expected that Class C notes will trade at approximately 10% of face par value. The fair value of the sub-prime backed Class 13 Notes was calculated as 10% of par value. In conjunction with the note exchange, the Company received a payment of $58,392 which was its share of the accumulated interest to July 31 2009. The interest received to July 31, 2009 was accounted for as a reduction of the Company's investment. The estimated unpaid interest up to the restructuring date of January 21, 2009 is not material and was not included in the Company's fair value calculation. As a result of the notes exchange, the Company recorded the fair value of its new investments as $583,277 and provision for impairment of $218,531 ($146,942 impairment charge recognized in the fiscal 2007).

There is significant amount of uncertainty in estimating the amount and timing of cash flows associated with these notes. Until an active market develops for the MAV II notes, the fair value will be determined using a discounted cash flow approach based on the maximum use of inputs observed from market conditions on subsequent reporting dates. Therefore, the fair values may change materially in subsequent periods.

7. LOAN PAYABLE

The demand non-revolving bridge loan bears interest at the HSBC Bank Prime Rate plus 1% per annum, repayable on demand by the bank. Interest is payable monthly. The loan is secured by the Company's investment in Plan Notes (Note 6). The Company has paid $25,585 in interest during the year ended July 31, 2009.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Share Amount	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued			
Balance, July 31, 2007	30,587,995	$ 13,150,271	$ 1,262,173
Private placement	4,920,000	1,968,000	-
Shares to a consultant	200,000	70,000	-
Stock-based compensation	-	-	575,184
Share issuance costs	-	(147,462)	-
Fair value of agent warrants	-	(40,316)	40,316
Balance, July 31, 2008	35,707,995	15,000,493	1,877,673
Stock-based compensation	-	-	90,939
Balance, July 31, 2009	35,707,995	$ 15,000,493	$ 1,968,612

During the year ended July 31, 2008, the Company:

a) completed a private placement of 4,920,000 units of the Company at a price of $0.40 per unit, with each unit being comprised of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to acquire an additional share of the Company at a purchase price of $0.60 for a period of one year to December 28, 2008. Share issue costs of $187,778 were incurred in connection with this private placement and included the issuance of 304,150 agent warrants to acquire 304,150 common shares valued at $40,316. The agent warrants are exercisable at $0.60 per share until December 28, 2008.

b) issued 200,000 common shares valued at $70,000 for mineral property finders fees.

Stock options

The Company has a fixed stock option plan whereby a maximum of 20% of the issued common shares are reserved for issuance under the plan. The options can be granted for a maximum term of five years and pricing and vesting as determined by the board of directors.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock options (cont'd…)

During the year ended July 31, 2009, the Company granted 600,000 stock options resulting in stock-based compensation using the Black-Scholes option pricing model of $40,030 of which $19,216 was expensed and the $8,704 will be expensed as the options become exercisable over the next year and a half. 250,000 options were cancelled in the year resulting in a $12,110 cancellation of stock-based compensation. The weighted average fair value of options granted was $0.07. These amounts were also recorded as contributed surplus on the balance sheet.

During the year ended July 31, 2008, the Company granted 2,900,000 stock options resulting in stock-based compensation using the Black-Scholes option pricing model of $646,907 of which $575,184 was expensed during 2008, and $71,723 was expensed in 2009. The weighted average fair value of options granted was $0.27. These amounts were also recorded as contributed surplus on the balance sheet.

The following weighted average assumptions were used for the Black-Scholes option pricing model:

	2009	2008
Risk-free interest rate	2.97%	4.32 %
Expected life of options	5 years	5 years
Annualized volatility	115%	115 %
Dividend rate	0.00%	0.00 %

As at July 31, 2009, the following stock options were outstanding:

Number of Shares	Exercise Price		Expiry Date
1,455,000	$ 0.25		May 10, 2011
1,600,000	0.34	*	July 26, 2011
2,800,000	0.27		August 24, 2012
250,000	0.08		May 7, 2014
100,000	0.05		May 28, 2014

* Re-priced subsequent to year end (Note 17).

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock options (cont'd…)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2007	3,055,000	$ 0.30
Options granted	2,900,000	0.27
Balance, July 31, 2008	5,955,000	0.28
Options granted	600,000	0.13
Options cancelled	(350,000)	0.22
Balance, July 31, 2009	6,205,000	$ 0.27
Number of options currently exercisable	5,942,500	$ 0.27

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2007	-	$ -
Warrants granted	2,764,150	0.60
Balance, July 31, 2008	2,764,150	0.60
Expired	(2,764,150)	0.60
Balance, July 31, 2009	-	$ -

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2009		2008
Cash paid during the year for interest	$	25,585	$	22,539
Cash paid during the year for income taxes	$	-	$	5,206

During the year ended July 31, 2009, the Company had the following significant non-cash investing and financing activities.

a) Included in accounts payable $35,773 of mineral property costs.

During the year ended July 31, 2008, the Company had the following significant non-cash investing and financing activities.

a) Of the total amortization incurred during the year $1,490 (Note 3) was allocated to the mineral properties.

b) Issued 200,000 common shares valued at $70,000 recorded as mineral property costs.

c) Included in accounts payable $22,375 of mineral property costs.

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued professional fees of $59,000 (2008 - $99,700) to a partnership in which a director has an interest. As at July 31, 2009 an amount of $12,000 (2008 - $33,220) owing was included in accounts payable.

b) Paid management fees of $96,000 (2008 - $96,000) to a corporation in which a director has an interest.

c) Paid consulting fees of $70,147 (2008 - $71,543) to a director of a subsidiary.

d) Paid administration fees of $13,045 recorded as office fees (2008 - $12,000) to a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

11. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash and cash equivalents, receivables, loan receivable, investments, accounts payable and accrued liabilities and loan payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. At July 31, 2009, the Company had $583,277 in Plan Notes. The Company is exposed to credit risk to the extent that the recoverability of the Plan Notes is unknown (Note 6).

11. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2009, the Company had current assets of $180,587 (July 31, 2008 - $1,855,405) to settle current liabilities of $806,116 (July 31, 2008 - $824,739). All of the Company's financial liabilities are classified as current and may mature within the next fiscal period.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

(b) Foreign currency risk

The Company has monetary assets and liabilities denominated in foreign currencies and non-monetary assets represented by mineral exploration interests in the Republic of South Africa and New Zealand. The Company could accordingly be at risk for foreign currency fluctuations and developing legal and political environments.

As at July 31, 2009, the Company had the following financial instruments in ZAR$:

	CAD $ equivalent	ZAR $
Cash	$26,562	$191,645
Accounts receivable	$139,555	$1,006,890
Accounts payable and accrued liabilities	$66,917	$482,815

As at July 31, 2009, ZAR$ amounts were converted at a rate of ZAR$1 to $0.13860 Canadian dollars.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company is potentially exposed to price risk on its Plan Notes (Note 6).

12. COMMITMENT

The Company has committed to rent office space for $870 per month until February 28, 2010.

13. INCOME TAXES

	2009	2008
Income (loss) from continuing operations	$(4,858,430)	$(16,036,882)
Expected income tax recovery (expense)	$ 1,467,732	$ 5,213,590
Non-taxable loss	(537,518)	(2,581,600)
Effect of change in tax rate	(16,107)	(473,000)
Difference in tax rates in other jurisdictions	(92,700)	(513,800)
Items deductible for tax purposes	27,329	29,400
Items not deductible for income tax purposes	(57,940)	505,500
Tax benefits recognized (not recognized)	(781,720)	212,807
Total current income taxes	$ -	$ (5,206)
Future income tax recovery (provision)	$ 9,076	$ 2,387,691

	2009	2008
Future income tax assets (liabilities):		
Non-capital loss carryforwards	$ 892,785	$ 743,000
Share issuance costs	35,519	57,700
Cumulative exploration and development expenses	1,010,400	1,063,000
Investments	578,426	(9,076)
Future income tax assets (liabilities)	2,517,130	1,854,624
Valuation allowance	(2,517,130)	(1,863,700)
Net Future income tax assets (liabilities)	$ -	$ (9,076)

The Company has available for deduction against future taxable income non-capital losses of approximately $3,524,290. These losses, if not utilized, will expire as follows:

2029	$ 441,000
2028	655,250
2027	719,450
2026	685,400
2025	508,290
2011	369,900
2010	145,000
	$ 3,524,290

Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

14. JOINT VENTURE OPERATIONS

The financial statements include the Company's 50% interest in MGI, as follows:

	2009	2008
Cash	$ 13,430	$ 36,160
Non-cash working capital	(24,205)	961
Loan receivable	-	90,000
Long-term investment	-	4,002,992
Future income tax payable	-	(9,076)
Loss for year	$ 4,131,812	$ 15,253,999
Cash flows from operating activities	$ (22,730)	$ (31,750)
Cash flows from financing activities	$ -	$ -
Cash flows from investing activities	$ -	$ -

15. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of mineral properties.

Geographic information is as follows:

	July 31, 2009	July 31, 2008
Resource properties		
South Africa	$ 1,054,451	$ -
New Zealand	548,123	358,089
Equipment – New Zealand	8,858	12,654

16. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. share capital, contributed surplus and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements. The Company's policy remains unchanged from the prior year.

17. SUBSEQUENT EVENTS

Subsequent to July 31, 2009, the Company:

a) completed a non-brokered private placement for $720,000 by issuing 6,000,000 common shares at a price of $0.12 per share. The Company paid $47,101 in cash for finders' fees.

b) amended the exercise price of 1,500,000 stock options from $0.34 to $0.12. The amendment is subject to approval from the Toronto Stock Exchange – Venture ("TSX-V").

c) granted consultants 900,000 stock options which are exercisable at $0.12 per share for a period of five years.