
SUPERIOR MINING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED
JANUARY 31, 2015 AND 2014

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the six months ended January 31, 2015 and 2014.

SUPERIOR MINING INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	January 31, 2015	July 31, 2014 (Audited)
ASSETS		
Current assets		
Cash	\$ 6,545	\$ 6,258
Receivables (note 4)	2,484	2,734
Prepaid expenses	<u>5,540</u>	<u>5,164</u>
Total current assets	<u>14,569</u>	<u>14,156</u>
Non-current assets		
Exploration and evaluation assets (note 5)	<u>1,908,552</u>	<u>1,838,558</u>
Total assets	<u>\$ 1,923,121</u>	<u>\$ 1,852,714</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 1,127,835	\$ 1,024,230
Advance from directors (note 10)	<u>20,000</u>	<u>-</u>
Total current liabilities	<u>1,147,835</u>	<u>1,024,230</u>
Non-current liability		
Loans payable (Note 10)	80,000	80,000
Liability portion of convertible debentures (note 7)	<u>251,880</u>	<u>244,302</u>
Total liabilities	<u>331,880</u>	<u>1,348,532</u>
Equity		
Capital stock (note 8)	19,025,731	19,025,731
Reserves (note 8)	417,481	406,452
Equity portion of convertible debentures (note 7)	4,664	4,664
Deficit	<u>(19,018,678)</u>	<u>(18,955,756)</u>
Capital and reserve attributable to shareholders of Superior Mining International Corporation	429,198	481,091
Non-controlling interest	<u>14,208</u>	<u>23,091</u>
Total equity	<u>443,406</u>	<u>504,182</u>
Total liabilities and equity	<u>\$ 1,923,121</u>	<u>\$ 1,852,714</u>

Nature and continuance of operations (note 1)

Approved and authorized for issue on March 31, 2015 on behalf of the Board of Directors:

<u>“Brent Butler”</u> Brent Butler	Director	<u>“Cyrus Driver”</u> Cyrus Driver	Director
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SUPERIOR MINING INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three Months Ended January 31, 2015	Three Months Ended January 31, 2014	Six Months Ended January 31, 2015	Six Months Ended January 31, 2014
EXPENSES				
Accretion of convertible debentures and accrued interest (note 7 and 10)	\$ 12,039	\$ 7,623	\$ 13,864	\$ 15,247
Bank charges and interest	11	57	76	125
Consulting (note 10)	3,110	7,148	10,126	16,148
Filing and transfer agent fees	877	4,078	1,578	5,103
Foreign exchange loss (gain)	4,785	(4,523)	6,284	2,429
Office, telephone and printing	523	1,914	1,032	7,265
Professional fees (note 10)	13,645	28,553	27,816	46,930
Share-based payments (note 8 and 10)	<u>3,685</u>	<u>7,359</u>	<u>11,029</u>	<u>20,909</u>
Loss and comprehensive loss for the period	\$ (38,675)	\$ (52,209)	\$ (71,805)	\$ (114,156)
Comprehensive loss attributable to:				
Shareholders of Superior Mining International Corporation	\$ (30,332)	\$ (57,318)	\$ (62,922)	\$ (118,081)
Non-controlling interests	<u>(8,343)</u>	<u>5,109</u>	<u>(8,883)</u>	<u>3,925</u>
	\$ (38,675)	\$ (52,209)	\$ (71,805)	\$ (114,156)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding for basic loss per share	57,886,479	57,566,479	57,886,479	57,566,479

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Six Months Ended January 31, 2015	Six Months Ended January 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (71,805)	\$ (114,156)
Items not affecting cash:		
Unrealized foreign exchange	6,284	2,429
Share-based payments	11,029	20,909
Accretion of convertible debentures and accrued interest	13,864	15,247
Changes in non-cash working capital items:		
Decrease in receivables	250	4,963
Decrease (increase) in prepaid expenses	(376)	88
Increase in accounts payable and accrued liabilities	<u>36,408</u>	<u>38,172</u>
Net cash used in operating activities	<u>(4,346)</u>	<u>(32,348)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation (expenditures) recovery	<u>(6,993)</u>	<u>3,129</u>
Net cash provided by (used in) investing activities	<u>(6,993)</u>	<u>3,129</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from related parties	<u>20,000</u>	<u>-</u>
Net cash provided by financing activities	<u>20,000</u>	<u>-</u>
Foreign exchange effect on cash	<u>(8,374)</u>	<u>(1,895)</u>
Change in cash for the period	287	(31,114)
Cash, beginning of period	<u>6,258</u>	<u>56,072</u>
Cash, end of period	<u>\$ 6,545</u>	<u>\$ 24,958</u>

Supplemental disclosure with respect to cash flows (note 9)

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Capital Stock		Reserves					Equity Portion of Convertible Debentures	Deficit	Total	Non-controlling Interest	Total Equity
	Number	Amount	Options	Warrants	Total Reserves	Equity Portion of Convertible Debentures	Deficit					
Balance as at August 1, 2013	57,566,479	\$ 19,022,531	\$ 357,990	\$ 3,922	\$ 361,912	\$ 4,664	\$ (18,674,070)	\$ 715,037	\$ 24,393	\$ 739,430		
Share-based payments	-	-	20,999	-	20,909	-	-	20,909	-	20,909		
Loss for the period	-	-	-	-	-	-	(118,081)	(118,081)	3,925	(114,156)		
Balance as at January 31, 2014	57,566,479	\$ 19,022,531	\$ 378,899	\$ 3,922	\$ 382,821	\$ 4,664	\$ (18,792,151)	\$ 617,865	\$ 28,318	\$ 646,183		
Balance as at August 1, 2014	57,886,479	\$ 19,025,731	\$ 402,530	\$ 3,922	\$ 406,452	\$ 4,664	\$ (18,955,756)	\$ 481,091	\$ 23,091	\$ 504,182		
Share-based payments	-	-	11,029	-	11,029	-	-	11,029	-	11,029		
Loss for the period	-	-	-	-	-	-	(62,922)	(62,922)	(8,883)	(71,805)		
Balance as at January 31, 2015	57,886,479	\$ 19,025,731	\$ 413,559	\$ 3,922	\$ 417,481	\$ 4,664	\$ (19,018,678)	\$ 429,198	\$ 14,208	\$ 443,406		

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

SUPERIOR MINING INTERNATIONAL CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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1. NATURE AND CONTINUANCE OF OPERATIONS

Superior Mining International Corporation (the "Company") is a Canadian company incorporated in the Yukon Territory. The Company's head, registered and records office address is 408 - 837 West Hastings Street, Vancouver, BC, Canada, V6C 3N6. The Company is primarily engaged in the acquisition, exploration and development of mineral properties.

The recoverability of the amounts comprising exploration and evaluation assets 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 condensed consolidated interim 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 January 31, 2015, the Company had an accumulated deficit of \$19,018,678 (July 31, 2014 - \$18,955,756); a working capital deficiency of \$1,133,266 (July 31, 2014 - \$1,010,074) and has not generated revenues from operations. These circumstances lend substantial 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 exploration and evaluation assets, 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.

These condensed consolidated interim 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

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee (IFRICs). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2014, which have been prepared in accordance with IFRS.

The accounting policies applied by the Company in these financial statements are the same as those applied by the Company in its most recent annual consolidated financial statements for the year ended July 31, 2014

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2. BASIS OF PRESENTATION (cont'd...)

Basis of consolidation and presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These condensed consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The consolidated financial statements include the financial statements of the parent and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Superior Mining South Africa (Pty) Corporation	South Africa	100%	Mineral exploration
Owl Eye Trading 71 (Pty) Ltd.	South Africa	100%	Mineral exploration
Turquoise Moon Trading 403 Pty Ltd. ("TM")	South Africa	87%	Mineral exploration
Middelvlei Gold & Investments (Pty) Ltd. ("MGI")	South Africa	50%	Mineral exploration

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments and critical estimates

The preparation of these financial statements in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these financial statements.

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

- i) Going concern risk assessment (Note 1);
- ii) Determination of functional currency; and
- iii) Recoverability of the carrying value of the Company's exploration and evaluation assets.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Significant accounting judgments and critical estimates (cont'd...)

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

- i) *Share-based payments* – The fair value of share-based payments is determined using a Black-Scholes Option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.
- ii) *Convertible debentures* – Calculation of the value ascribed to the liability portion and equity portion of convertible debentures is complex and requires significant estimates, specifically with respect to determination of a market rate of interest (i.e., the cost of similar liability without a conversion option). The fair value of each component on initial recognition is highly sensitive to this rate and a significant change in this assumption might have a material impact on the consolidated financial statements.
- iii) *Deferred income taxes* - The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

New accounting standards and recent pronouncements

There are no IFRS or IFRIC interpretations that are effective August 1, 2014 that are expected to have a material impact on the Company.

4. RECEIVABLES

The Company’s receivables arise from the following sources: Goods and Services Tax (“GST”) receivable due from Canadian government taxation authorities, VAT receivable and income tax receivable from the South African government. These are broken down as follows:

	January 31, 2015	July 31, 2014
GST receivable	\$ 1,677	\$ 2,268
VAT receivable	<u>807</u>	<u>466</u>
	<u>\$ 2,484</u>	<u>\$ 2,734</u>

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5. EXPLORATION AND EVALUATION ASSETS

During the period ended January 31, 2015, the following exploration and evaluation expenditures were incurred:

	Mangalisa, South Africa	Red Castle, Australia	Total
Balance, August 1, 2014	\$ 1,524,743	\$ 313,815	\$ 1,838,558
Exploration expenditures:			
Geological and consulting	35,498	34,496	69,994
Balance, January 31, 2015	\$ 1,560,241	\$ 348,311	\$ 1,908,552

During the year ended July 31, 2014, the following exploration and evaluation expenditures were incurred:

	Mangalisa, South Africa	Red Castle, Australia	Total
Balance, August 1, 2013	\$ 1,407,478	\$ 181,834	\$ 1,589,312
Exploration expenditures:			
Geological and consulting	116,289	131,872	248,161
Travel	976	109	1,085
	117,265	131,981	249,246
Balance, July 31, 2014	\$ 1,524,743	\$ 313,815	\$ 1,838,558

Mangalisa, South Africa

During fiscal 2008, the Company was granted a lease, giving it the right to explore a property in the eastern part of the Free State Goldfield, near the village of Riebeeckstad, South Africa.

The Company executed an Earn-in Agreement on December 13, 2012 with Ibhusei Capital (“Ibhusei”), a private Company pursuant to which Ibhusei can acquire up to a 67% interest in the Company’s Mangalisa project by paying the Company two cash payments totaling US\$2.5M and spending US\$5M on exploration with-in a 24 month period. During the year ended July 31, 2014, the agreement was terminated.

During the year ended July 31, 2014, the Company executed a Sale Agreement with Castlehill Trading CC (“Castlehill”), a private company based in Johannesburg, South Africa for the purchase of the Company’s ownership in Mangalisa. The Agreement is for complete purchase of all shares of TM, a subsidiary of the Company that holds 87% ownership of Managalisa for a total sum of USD \$3 million. The deal was terminated during fiscal 2014.

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5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Redcastle, Australia

During the year ended July 31, 2012, the Company entered into a Heads of Agreement with Reinhold Resources Ltd. to earn-in a 51% interest in the Redcastle Project located in the Western Australia. The Company is committed to exploration expenditures of AUD\$200,000 on the project before May 4, 2014. As at January 31, 2015, the Company had incurred \$348,311 (January 31, 2014 - \$198,049) of exploration expenditures on the project and therefore has earned its 51% interest in the project.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payables and accrued liabilities for the Company are broken down as follows:

	January 31, 2015	July 31, 2014
Trade payables	\$ 310,381	\$ 298,289
Due to related parties (note 10)	788,384	706,561
Accrued liabilities	<u>29,070</u>	<u>19,380</u>
Total	<u>\$ 1,127,835</u>	<u>\$ 1,024,230</u>

All payables and accrued liabilities for the Company fall due within the next 12 months.

7. CONVERTIBLE DEBENTURES

	January 31, 2015	July 31, 2014
Face value of convertible debentures	\$ 200,000	\$ 200,000
Less: Equity portion of convertible debentures	(6,246)	(6,246)
Add: Accretion and coupon interest	<u>58,126</u>	<u>50,548</u>
Liability portion of convertible debentures	251,880	244,302
Less: current liability portion of convertible debentures	<u>-</u>	<u>-</u>
Non-current liability portion of convertible debentures	<u>\$ 251,880</u>	<u>\$ 244,302</u>

During the year ended July 31, 2013, the Company issued convertible debentures for an aggregate principal amount of \$200,000 of which \$150,000 was received from directors of the Company. The debentures bear interest of 12% per annum, payable upon maturity at November 28, 2015 (extended during the year ended July 31, 2014, from the original maturity date at November 28, 2013) and may be converted to common shares at anytime at a conversion of \$0.10 per common share. Each \$100 debenture included 1,000 share purchase warrants exercisable at \$0.10 for a period of one year. These warrants were valued at \$3,922 using the Black-Scholes option pricing model and recorded as financing fees in the statement of loss and comprehensive loss and also in reserves for the year ended July 31, 2013.

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7. CONVERTIBLE DEBENTURES (cont'd...)

The convertible debentures have been classified into its separate debenture liability and equity portions in the Company's consolidated financial statements by the fair value method using an effective interest of 16% when valuing the liability first. This resulted in an initial amount of \$193,754 being allocated to the liability portion and \$4,664 being allocated to the equity portion, net of deferred income tax recovery of \$1,582. For the period ended January 31, 2015, accretion expense and coupon interest related to the liability component of the convertible debenture is \$7,578 (2014 - \$15,247), bringing the total accumulated accretion and coupon interest to \$58,126 (2014 - \$27,926). The carrying value of the debenture will be accreted up to its face value over the term to maturity.

8. CAPITAL STOCK AND RESERVES

a) Authorized share capital:

Unlimited common voting shares without par value.

b) Issued share capital:

During the period ended January 31, 2015 and 2014, the Company did not have any share activities.

c) 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 are determined by the board of directors.

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

	Period Ended January 31, 2015		Period Ended January 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance at beginning of period	9,880,000	\$ 0.10	7,780,000	\$ 0.11
Granted	-	-	-	-
Expired	-	-	-	-
Balance at end of period	9,880,000	\$ 0.10	7,780,000	\$ 0.11
Number of options exercisable	8,780,000	\$ 0.10	5,530,000	\$ 0.11
Weighted average contractual life remaining	2.96 years			

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8. CAPITAL STOCK AND RESERVES (cont'd ...)

During the period ended January 31, 2015, the Company:

- i) recorded a share-based payment expense of \$11,029 for options vested.

During the period ended January 31, 2014, the Company:

- i) recorded a share-based payment expense of \$20,909 for options vested.

c) Stock options:

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

	January 31, 2015	January 31, 2014
Risk-free interest rate	1.42%	-
Expected life of options	4.76 years	-
Annualized volatility	132%	-
Dividend rate	0.00%	-
Forfeiture rate	0.00%	-

d) Warrants:

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

	Period Ended January 31, 2015		Period Ended January 31, 2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance at beginning of period	2,000,000	\$ 0.10	2,000,000	\$ 0.10
Granted	-	-	-	-
Expired	-	-	-	-
Balance at end of period	2,000,000	\$ 0.10	2,000,000	\$ 0.10

During the period ended January 31, 2015 and 2014, there were no warrants granted or expired.

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8. CAPITAL STOCK AND RESERVES (cont'd ...)

As at January 31, 2015, the following stock options and warrants were outstanding:

	Number of Stock options /Warrants	Exercise Price	Expiry Date
Stock options	3,180,000	\$ 0.12	September 29, 2016
	4,500,000	0.10	May 22, 2018
	<u>2,200,000</u>	0.05	March 16, 2019
	9,880,000		
Warrants	2,000,000	\$ 0.10	November 28, 2015

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	January 31, 2015	January 31, 2014
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

During the period ended January 31, 2015, the Company had the following significant non-cash investing and financing activities:

- a) included in accounts payable \$514,869 (2014 - \$354,895) of exploration and evaluation expenditures.

10. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

		For the Period Ended January 31, 2015	For the Period Ended January 31, 2014
Key Management:			
A director of a subsidiary of the Company	Consulting	\$ -	\$ 823
Directors and officers	Share-based payments ⁽ⁱ⁾	<u>10,423</u>	<u>15,519</u>
		\$ 10,423	\$ 16,342
Related Parties:			
A firm in which the CFO is a partner	Professional fees	\$ 18,800	\$ 39,750
A company owned by the CEO	Exploration expenditures	<u>63,000</u>	<u>72,000</u>
		\$ 81,800	\$ 111,750

(i) Share-based payment is the fair value of options granted and vested to key management personnel.

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10. RELATED PARTY TRANSACTIONS (cont'd...)

The amounts due to the related parties included in accounts payables and accrued liabilities are as follows:

	January 31, 2015	July 31, 2014
Due to a firm in which the CFO is a partner	\$ 266,006	\$ 246,566
Due to a company owned by a director	11,000	11,000
Due to a director of a subsidiary of the Company	79,762	79,762
Due to a company owned by the CEO	<u>431,616</u>	<u>369,233</u>
	<u>\$ 788,384</u>	<u>\$ 706,561</u>

Other related party transactions

During the period ended January 31, 2015, the Company received an advance of \$20,000 from directors of the Company for working capital purposes.

During the year ended July 31, 2014, the Company received an aggregate amount of \$80,000 from the directors of the Company for loans bearing interest rate of 15% compounded monthly maturing June 25, 2016 for working capital purposes. In consideration for loans, the Company issued 320,000 common shares at a fair value of \$0.01 per share. For the period ended January 31, 2015, total interest expense related to the loans is \$6,286 (2014 - \$Nil).

11. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and liability portion of convertible debentures. 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.

Concentration of credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk due to the potential for counterparties to default on their contractual obligations consist primarily of receivables. The maximum potential loss on these financial instruments is equal to the carrying amounts of these items. The Company limits its exposure to credit loss by dealing with counterparties it believes to be creditworthy.

Fair value

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

Financial statements measured at fair value on the statements of financial position are summarized in levels of fair value hierarchy as either "Level 1" Unadjusted quoted prices in active markets for identical assets or liabilities; "Level 2" Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and, "Level 3" Inputs that are not based on observable market data.

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

Fair value (cont'd...)

Financial instruments measured at fair value on the statements of financial position are summarized in levels of fair value hierarchy as follows:

	January 31, 2015			July 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash	\$ 6,545	\$ -	\$ -	\$ 6,258	\$ -	\$ -

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

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 January 31, 2015, the Company had current assets of \$14,569 (July 31, 2014 - \$14,156) to settle current liabilities of \$1,147,835 (July 31, 2014 - \$1,024,230). The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

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 Australia (AUD\$). The Company could accordingly be at risk for foreign currency fluctuations.

As at January 31, 2015, AUD\$ amounts were converted at a rate of AUD\$1 to 0.9870 Canadian dollars and the Company had the following financial instruments in AUD\$:

	CAD \$ equivalent	AUD\$
Accounts payable and accrued liabilities	\$ 92,298	\$ 93,514

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

Fair value (cont'd...)

As at January 31, 2015, the Company also had cash, receivables and accounts payable in ZAR\$ and SGD\$. The amounts are minimal and any risk due to foreign currency fluctuations is not significant.

(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.

12. JOINT VENTURE OPERATIONS

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

	As at January 31, 2015	As at July 31, 2014
Cash	\$ -	\$ -
Non-cash working deficiency	(24,188)	(22,547)
	Six months ended January 31, 2015	Six months ended January 31, 2014
Income (loss)	\$ (1,406)	\$ 705
Cash used in operating activities	(4,193)	(759)

13. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographic information is as follows:

	January 31, 2014	July 31, 2014
Exploration and evaluation assets		
South Africa	\$ 1,560,241	\$ 1,524,743
Australia	348,311	313,815

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14. 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. capital stock, reserves, equity portion of convertible debentures 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.