

SUPERIOR MINING INTERNATIONAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

JANUARY 31, 2007

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the six month period ended January 31, 2007.

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	January 31, 2007	July 31, 2006
ASSETS		
Current		
Cash and cash equivalents	\$ 1,427,245	\$ 1,658,957
Restricted cash	-	36,163
Due from joint venture partner	2,596	17,724
Receivables	74,959	327,431
Prepaid expenses	5,168	22,766
Subscriptions receivable	-	550,000
Loan receivable	<u>101,000</u>	<u>-</u>
	1,610,968	2,613,041
Mineral properties (Note 3)	236,385	4,528,880
Reclamation bonds	-	9,323
Long-term investment (Note 4)	<u>2,482,028</u>	<u>-</u>
	\$ 4,329,381	\$ 7,151,244
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 43,869	\$ 443,996
Current portion of long-term debt (Note 5)	-	99,888
Due to joint venture partner	<u>3,581</u>	<u>-</u>
	47,450	543,884
Long-term debt (Note 5)	-	298,064
Provision for reclamation (Note 10)	-	81,620
Future income tax payable (Note 11)	<u>-</u>	<u>1,483,086</u>
	47,450	2,406,654
Shareholders' equity		
Capital stock (Note 6)	13,150,271	13,150,271
Contributed surplus (Note 6)	1,262,173	1,262,173
Deficit	<u>(10,130,513)</u>	<u>(9,667,854)</u>
	4,281,931	4,744,590
	\$ 4,329,381	\$ 7,151,244

Nature and continuance of operations (Note 1)

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
(Unaudited)

	Three months Ended January 31, 2007	Three months Ended January 31, 2006	Six months Ended January 31, 2007	Six months Ended January 31, 2006
REVENUE	\$ 161,915	\$ -	\$ 665,830	\$ -
DIRECT COSTS				
Operating expenses	(78,118)	-	(543,720)	-
Depreciation and amortization	280	-	(6,376)	-
	<u>84,077</u>	<u>-</u>	<u>115,734</u>	<u>-</u>
EXPENSES				
Administration	(5,361)	7,746	788	15,572
Amortization	-	156	-	544
Bank charges and interest	466	3,124	1,700	6,009
Consulting	49,533	88,095	132,861	195,181
Filing and transfer agent fees	3,070	1,617	5,919	2,754
Foreign exchange	188,387	(15,612)	49,522	56,276
Interest	126	-	3,660	-
Exploration	-	-	5,591	-
Property investigation	-	-	12,532	-
Management fees	(13,636)	-	38,020	-
Salaries	(13,051)	-	5,976	-
Office, telephone and printing	22,420	19,740	48,455	39,201
Professional fees	147,256	44,707	216,739	80,607
Travel	43,536	50,585	96,545	64,610
	<u>422,746</u>	<u>200,158</u>	<u>618,308</u>	<u>460,754</u>
Loss before other items	<u>(338,669)</u>	<u>(200,158)</u>	<u>(502,574)</u>	<u>(460,754)</u>
OTHER ITEMS				
Interest income	19,556	4,256	39,915	8,710
Equipment written-off	-	(6,368)	-	(6,368)
Mineral properties and other assets written off	-	(1,308,814)	-	(1,308,814)
	<u>19,556</u>	<u>(1,310,926)</u>	<u>39,915</u>	<u>(1,306,472)</u>
Loss for the period	(319,113)	(1,511,084)	(462,659)	(1,767,226)
Deficit, beginning of period	<u>(9,811,400)</u>	<u>(6,714,107)</u>	<u>(9,667,854)</u>	<u>(6,457,965)</u>
Deficit, end of period	<u>\$ (10,130,513)</u>	<u>\$ (8,225,191)</u>	<u>\$ (10,130,513)</u>	<u>\$ (8,225,191)</u>
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.02)
Weighted average common shares outstanding	30,587,995	14,587,995	30,587,995	14,470,278

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months Ended January 31, 2007	Three months Ended January 31, 2006	Six months Ended January 31, 2007	Six months Ended January 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (319,113)	\$ (1,511,084)	\$ (462,659)	\$ (1,767,226)
Items not affecting cash				
Depreciation and Amortization	(280)	156	6,376	544
Mineral properties and other assets written-off	-	1,308,814	-	1,308,814
Equipment written-off	-	6,368	-	6,368
Net change in non-cash working capital	<u>224,084</u>	<u>58,644</u>	<u>11,650</u>	<u>(432,297)</u>
Net cash used in operating activities	<u>(95,309)</u>	<u>(137,102)</u>	<u>(444,633)</u>	<u>(883,797)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment	-	(2,700)	-	(4,234)
Advances from joint venture partner	(35,499)	-	18,709	(1,070,030)
Mineral properties and deferred exploration costs	(306,773)	(93,000)	(306,773)	-
Cash surrendered on write-off of property	-	(70,589)	-	(70,589)
Acquisition of investment	(94,501)	-	(94,501)	-
Reclamation bond refunded	<u>5,594</u>	<u>-</u>	<u>9,323</u>	<u>-</u>
Net cash used in investing activities	<u>(431,179)</u>	<u>(166,289)</u>	<u>(373,242)</u>	<u>(1,144,853)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares for cash	<u>-</u>	<u>-</u>	<u>550,000</u>	<u>25,000</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>	<u>550,000</u>	<u>25,000</u>
Increase (decrease) in cash and cash equivalents for the period	(526,488)	(303,391)	(267,875)	(2,003,650)
Cash and cash equivalents, beginning of period	<u>1,953,733</u>	<u>902,670</u>	<u>1,695,120</u>	<u>2,602,929</u>
Cash and cash equivalents, end of period	\$ 1,427,245	\$ 599,279	\$ 1,427,245	\$ 599,279
Cash and cash equivalents consists of:				
Cash on hand	\$ 1,051,519	\$ 1,427,245	\$ 1,051,519	\$ 1,427,245
Term deposits	375,726	-	375,726	-

Supplemental disclosure with respect to cash flows (Note 8)

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

SUPERIOR MINING INTERNATIONAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
JANUARY 31, 2007

1. NATURE AND CONTINUANCE OF OPERATIONS

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. Effective May 10, 2006, the Company consolidated the number of its issued and outstanding common shares on the basis of one new share for every five existing issued shares. The number of shares, options and warrants in Note 6 have been restated to give retroactive recognition of the share consolidation for all periods presented. In addition, all references to number of shares and per share amounts in these financial statements have been restated to reflect the share consolidation.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a "going concern" is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

	January 31, 2007	July 31, 2006
Working capital	\$ 1,563,518	\$ 2,069,157
Deficit	(10,130,513)	(9,667,854)

Investments

Long-term investments are carried at cost. If it is determined that the value of the investment is permanently impaired, it is written down to its estimated net realizable value.

2. ACQUISITION OF MIDDLEVLEI GOLD & INVESTMENTS (PTY) LTD. (FORMERLY PAMODZI GOLD (PROPRIETARY) LIMITED)

During the period ended January 31, 2007, Pamodzi Gold (Pty) Ltd. ("Pamodzi Gold") changed its name to Middelvlei Gold & Investments (Pty) Ltd. ("MGI").

SUPERIOR MINING INTERNATIONAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. ACQUISITION OF MIDDLEVLEI GOLD & INVESTMENTS (PTY) LTD. (FORMERLY PAMODZI GOLD (PROPRIETARY) LIMITED) (cont'd...)

During the year ended July 31, 2006, the Company received final acceptance from the TSX Venture Exchange of its previously announced "Shareholders' Agreement" and "Subscription Agreement", dated June 3, 2005, as amended by the "Variation Agreement" dated July 21, 2005 (collectively, the "Shareholders' Agreement"), with each of Pamodzi Resources (Pty) Limited ("Pamodzi Resources") and MGI (formerly Pamodzi Gold), pursuant to which the Company acquired 50% of the issued and outstanding shares of MGI in consideration of advancing to MGI, by way of shareholder's loan, an aggregate of ZAR 15,816,040 (approx. Cdn. \$2,730,000) (the "Shareholder's Loan") plus interest of ZAR 858,341 (approx. Cdn. \$136,000). This transaction was accounted for as an asset purchase since MGI's only purpose is as a holding company for the Company's joint venture (Note 3), summarized as follows:

Pursuant to the second variation agreement the Company agreed to reduce its interest in MGI to 50% less one share and as a result Pamodzi Resources increased its interest in MGI to 50% plus one share. MGI has invested in a new company called Pamodzi Gold Limited. The Company, through MGI owns 17% of Pamodzi Gold Limited (currently listed on the Johannesburg Stock Exchange ("JSE")).

Net assets acquired:	
Cash	\$ 105,467
Restricted cash	36,163
Non-cash working capital	(69,703)
Mineral property	4,293,442
Current portion of long-term debt	(99,888)
Long-term debt	(298,064)
Due to joint venture partner	(33,618)
Future income tax payable	(1,483,086)
Provision for reclamation	(81,620)
<hr/>	
Cash paid (ZAR 14,393,030)	2,369,093
Less: Cash of Pamodzi Gold	(105,467)
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Cash paid net of cash acquired	\$ 2,263,626

At July 31, 2006, these balances were consolidated and operations and cash flows have been consolidated commencing August 1, 2006.

SUPERIOR MINING INTERNATIONAL CORPORATION
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3. MINERAL PROPERTIES

January 31, 2007	District of Namaqualand, South Africa	Bothaville Gold Project, South Africa	Middelvlei Property, South Africa	January 31, 2007	July 31, 2006
Acquisition costs					
Balance, Beginning of period	\$ 100	\$ 170,000	\$ 4,160,822	\$ 4,330,922	\$ 306,692
Costs incurred (recovered) in the period	-	-	(49,797)	(49,797)	4,319,892
Written-off during the period	-	-	-	-	(295,662)
Acquisition of investment	-	-	(4,111,025)	(4,111,025)	-
Depletion					
Balance, end of period	100	170,000	-	170,100	4,330,922
Exploration expenditures					
Balance, beginning of the period	-	65,337	-	65,337	990,629
Geological and consulting	-	948	-	948	88,406
Administration and supplies	-	-	-	-	7,355
Drilling	-	-	11,541	11,541	-
Professional fees	-	-	-	-	3,769
Seismic survey	-	-	-	-	-
Travel	-	-	-	-	1,792
Value added tax	-	-	-	-	-
Costs recovered	-	-	-	-	(73,685)
Written-off during the period	-	-	-	-	(952,929)
Acquisition of investment	-	-	(11,541)	(11,541)	-
Balance, end of period	-	66,285	-	66,285	65,337
Mining equipment					
Balance, beginning of period	-	-	132,621	132,621	-
Plant and machinery	-	-	-	-	126,704
Prefabricated office and equipment	-	-	-	-	5,917
Acquisition of investment	-	-	(132,621)	(132,621)	-
	-	-	-	-	132,621
Balance, end of period before depreciation and amortization	100	236,285	-	236,385	4,528,880
Depletion and amortization	-	-	(15,217)	(15,217)	-
Acquisition of investment	-	-	15,217	15,217	-
Balance end of period after depreciation and amortization	\$ 100	\$ 236,285	\$ -	\$ 236,385	\$ 4,528,880

SUPERIOR MINING INTERNATIONAL CORPORATION
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3. MINERAL PROPERTIES (cont'd...)

July 31, 2006	District of Namaqualand, South Africa	Bothaville Gold Project, South Africa	Bakgaga Platinum Project, South Africa	Middelvlei Property, South Africa	2006	2005
Acquisition costs						
Balance, beginning of year	\$ 100	\$ 170,000	\$ 136,592	\$ -	\$ 306,692	\$ 159,983
Costs incurred in year	-	-	159,070	4,160,822	4,319,892	296,609
Written-off during the year	-	-	(295,662)	-	(295,662)	(149,900)
Balance, end of year	100	170,000	-	4,160,822	4,330,922	306,692
Exploration expenditures						
Balance, beginning of the year	-	54,235	936,394	-	990,629	169,562
Geological and consulting	-	10,525	77,881	-	88,406	588,793
Administration and supplies	-	394	6,961	-	7,355	10,813
Professional fees	-	-	3,769	-	3,769	3,841
Seismic survey	-	-	-	-	-	212,537
Travel	-	183	1,609	-	1,792	55,605
Value added tax	-	-	-	-	-	51,114
Costs recovered	-	-	(73,685)	-	(73,685)	(55,500)
Written-off during the year	-	-	(952,929)	-	(952,929)	(46,136)
Balance, end of year	-	65,337	-	-	65,337	990,629
Mining equipment						
Plant and machinery	-	-	-	126,704	126,704	-
Prefabricated office and equipment	-	-	-	5,917	5,917	-
	-	-	-	132,621	132,621	-
Balance, end of year	\$ 100	\$ 235,337	\$ -	\$ 4,293,443	\$ 4,528,880	\$ 1,297,321

Middelvlei Gold & Investments (Pty) Ltd. (formerly Pamodzi Gold (Proprietary) Limited), South Africa

During the period ended January 31, 2007, Pamodzi Gold (Proprietary) Limited changed its name to Middelvlei Gold & Investments (Pty) Ltd. ("MGI").

The Company became a joint venture partner with Pamodzi Resources through MGI (formerly Pamodzi Gold) upon the advancement of \$2,730,000 of its Shareholder's Loan. The purpose of the joint venture is to develop various gold property interests in the Witwatersrand basin of South Africa property interests which MGI is in the process of negotiating to acquire through Pamodzi Gold.

3. MINERAL PROPERTIES (cont'd...)

Middlevele Gold & Investments (Pty) Ltd.
(formerly Pamodzi Gold (Proprietary) Limited, South Africa (cont'd...))

Under the terms of the Shareholder's Agreement, Pamodzi Resources has agreed to introduce a series of advanced gold projects to MGI, MGI being committed to managing all aspects of associated mining and project work. The Company has undertaken to provide funding for the abovementioned projects.

Pursuant to the second variation agreement the Company agreed to reduce its interest in MGI to 50% less one share and as a result Pamodzi Resources increased its interest in MGI to 50% plus one share. MGI has invested in a new company called Pamodzi Gold Limited for which the Company contributed net proceeds of \$2,482,028. The Company, through MGI owns 17.5% of Pamodzi Gold Limited (currently listed on the Johannesburg Stock Exchange ("JSE")).

Bothaville Gold Project, South Africa

During the year ended October 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.

Bakgaga Platinum Project, South Africa

The Company acquired a 36% interest in Bakgaga Platinum (Pty) Limited ("Bakgaga") and, as a result, Bakgaga's varying interests in the Wonderkop platinum project, in the Limpopo Province of the Republic of South Africa, together with Bakgaga's rights to certain adjoining properties resulting from that certain "Joint Venture" property arrangement with Southern Platinum Corporation.

During the year ended July 31, 2006, the Company abandoned its interest and mineral property costs of \$1,248,591 and other costs of \$70,162 (totaling \$1,318,753) were written-off to operations.

The South African Diamond Permits

The Company is proposing to wind up and abandon all companies which have previously held diamond permits in Namaqualand, South Africa (currently at a carried value of \$100).

SUPERIOR MINING INTERNATIONAL CORPORATION
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4. LONG-TERM INVESTMENT

	January 31, 2007	July 31, 2006
Shares in publicly traded company, carrying value	\$ 2,482,028	\$ -

The Company holds 7,210,000 shares (July 31, 2006 – Nil) representing approximately a 17.5% (July 31, 2006 – 0%) interest in a public company quoted on the Johannesburg Stock Exchange. At January 31, 2007, the share price was approximately ZAR 18.50 per share, which represents a market value of \$21,455,016.

5. LONG-TERM DEBT

	January 31, 2007	July 31, 2006
Interest free loan carried at fair value, calculated using the effective interest method at 10.5%. The loan is repayable under the following terms:	\$ -	\$ 397,952
• Payments totalling approximately \$33,000 (ZAR218,750) per quarter for eight quarters beginning September 30, 2006		
• Payments totalling approximately \$41,500 (ZAR275,750) per quarter for four quarters starting September 30, 2008		
Less: current portion	-	99,888
	\$ -	\$ 298,064

During the period ended January 31, 2006, the loan was transferred as part of the net proceeds, upon acquisition of the long-term investment (Note 4).

6. CAPITAL STOCK

	Number of Shares	Share Amount	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Balance, July 31, 2005	9,177,995	\$ 6,727,766	\$ 429,944
Issued for cash pursuant to private placements	21,410,000	6,705,000	-
Stock-based compensation	-	-	832,229
Share issue costs	-	(282,495)	-
Balance, July 31, 2006 and January 31, 2007	30,587,995	\$ 13,150,271	\$ 1,262,173

SUPERIOR MINING INTERNATIONAL CORPORATION
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6. CAPITAL STOCK (cont'd...)

During the year ended July 31, 2006, the Company:

- a) completed a private placement of 5,410,000 units of the Company at a price of \$0.50 per unit, with each unit being comprised of one common share and one non-transferable share purchase warrant. Each warrant may be exercised to purchase an additional common share of the Company at a purchase price of \$0.60 for a period of two years to August 4, 2007. As at July 31, 2005, the Company had received \$2,630,000 of subscriptions towards the private placement, \$350,000 of which were held in trust.
- b) completed a private placement of 16,000,000 common shares of the Company at a price of \$0.25 per share. Share issuance costs of \$282,495 were paid in connection with the private placement. Share subscriptions of \$550,000 were received subsequent to July 31, 2006.

Stock options

The Company has a rolling stock option plan whereby a maximum of 10% 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 as determined by the board of directors.

During the year ended July 31, 2006, the Company cancelled 344,745 stock options. The Company also repriced 455,902 stock options to an exercise price of \$0.25 per share and extended the expiry date to May 10, 2011.

As at January 31, 2007, stock options were outstanding and exercisable enabling the holders to acquire 3,055,000 shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,455,000	\$ 0.25	May 10, 2011
1,600,000	0.34	July 26, 2011

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

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2005	800,647	\$ 0.59
Options granted (weighted average fair value, \$0.21)	999,098	0.25
Options granted (weighted average fair value, \$0.39)	1,600,000	0.34
Options cancelled	(344,745)	0.65
Options repriced	(455,902)	0.58
Options repriced	<u>455,902</u>	0.25
Balance, July 31, 2006 and January 31, 2007	3,055,000	\$ 0.30
Number of options currently exercisable	3,055,000	\$ 0.30

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6. CAPITAL STOCK (cont'd...)

Warrants

As at January 31, 2007, warrants were outstanding enabling the holders to acquire shares as follows:

Number of Shares	Exercise Price	Expiry Date
418,182	\$ 0.70	March 2, 2007 (expired subsequently)
5,410,000	0.60	August 4, 2007

Share purchase warrant transactions and the number of share purchase warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2005	2,742,284	\$ 0.78
Warrants granted	5,410,000	0.60
Warrants expired	<u>(2,110,769)</u>	0.79
Balance, July 31, 2006	6,041,515	0.61
Warrants expired	<u>(213,333)</u>	0.75
Balance, January 31, 2007	5,828,182	\$ 0.60

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued accounting and administrative service fees of \$73,100 (2006 - \$73,700) to a partnership in which a director has an interest. As at January 31, 2007 an amount of \$40,600 (July 31, 2006 - \$7,500) owing was included in accounts payable.
- b) Paid or accrued consulting fees of \$48,000 (2006 - \$56,000) to a corporation in which a director has an interest.

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.

The fair value of the amounts due to related parties is not determinable as they have no fixed terms of repayment, do not bear interest and are unsecured.

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8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the six month period ended January 31, 2007 the Company:

- a) had \$Nil (October 31, 2006 - \$230, July 31, 2006 - \$303,075) of mineral property acquisition costs included in accounts payable.
- b) acquired an investment using the following as consideration.
 - i) Cash - \$94,501, working capital items – (\$444,782), Mineral property - \$4,895,967
 - ii) Loan receivable – (\$101,000), Long-term debt – (\$298,064) Current portion of long term debt – \$(99,888), Provision for reclamation – (\$81,620), Future income tax payable (\$1,483,086).

	2007	2006
Cash paid during the period for interest	\$ 3,660	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

During the six month period ended January 31, 2006, the Company issued 5,260,000 common shares for \$2,630,000 of subscriptions received in the 2005 fiscal year.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, due to/from joint venture partner, loan receivable, long term investment, accounts payable and accrued liabilities and long term debt. 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.

Risk management

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

The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

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10. PROVISION FOR RECLAMATION

	January 31, 2007	July 31, 2006
Current balance	\$ -	\$ 81,620

The present value balance at July 31, 2006 assumes a 5.75 year expected life of the mine, a discount rate of 3.50% and a total rehabilitation of \$98,760.

11. INCOME TAXES

	Six month period January 31, 2007	Year ended July 31, 2006
Loss before income tax recovery	\$ (462,659)	\$ (3,209,889)
Expected income tax recovery	\$ 149,140	\$ 1,018,030
Share issuance costs	10,241	23,249
Items not deductible for income tax purposes	(2,223)	(752,402)
Unrecognized benefit of non-capital losses	(157,158)	(288,877)
Total income taxes	\$ -	\$ -

The significant components of the Company's future income tax assets and liabilities are as follows:

	January 31, 2007	July 31, 2006
Future income tax assets:		
Non-capital loss carryforwards	\$ 964,994	\$ 897,322
Capital loss carry forwards	17,335	17,335
Share issuance costs	73,244	83,485
Cumulative exploration and development expenses	-	(1,483,086)
Future income tax assets (liabilities)	1,055,573	(484,944)
Valuation allowance	(1,055,573)	(998,142)
Net Future income tax assets (liabilities)	\$ -	\$ (1,483,086)

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11. INCOME TAXES (cont'd...)

The Company has available for deduction against future taxable income non-capital losses of approximately \$2,800,000. These losses, if not utilized, will expire commencing in 2007. 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.

12. SEGMENTED INFORMATION

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

Geographic information is as follows:

	January 31, 2007	January 31, 2006
Income (loss) for the period		
Canada	\$ (427,704)	\$ (1,621,323)
South Africa	(34,955)	(145,903)
	<u>\$ (462,659)</u>	<u>\$ (1,767,226)</u>
	January 31, 2007	July 31, 2006
Resource properties		
South Africa	\$ 236,385	\$ 4,528,880