SUPERIOR MINING INTERNATIONAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

JANUARY 31, 2008

SUPERIOR MINING INTERNATIONAL CORPORATION

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, 2008.

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	January 31, 2008	July 31, 2007
ASSETS		
Current		
Cash and cash equivalents	$ 2,322,720	$ 273,224
Receivables	20,281	2,399
Prepaid expenses	1,376	5,402
	2,344,377	281,025
Mineral properties (Note 4)	236,054	236,054
Loan receivable (Note 5)	90,000	90,000
Investments (Note 6)	12,302,470	22,667,314
	$ 14,972,901	$ 23,274,393
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 53,333	$ 49,170
Loan payable (Note 11)	708,000	-
	761,333	49,170
Future income tax payable (Note 12)	2,383,398	2,590,674
	3,144,731	2,639,844
Shareholders' equity		
Capital stock (Note 7)	14,843,779	13,150,271
Share subscriptions received (Note 15)	40,000	-
Contributed surplus (Note 7)	1,611,939	1,262,173
Retained earnings (deficit)	(4,667,548)	6,222,105
	11,828,170	20,634,549
	$ 14,972,901	$ 23,274,393

Nature and continuance of operations (Note 1)
Subsequent events (Note 15)

On behalf of the Board:

"Cyrus Driver" Director *"John Proust"* 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, 2008	Three Months Ended January 31, 2007	Six Months Ended January 31, 2008	Six Months Ended January 31, 2007
REVENUE	$ -	$ 161,915	$ -	$ 665,830
DIRECT COSTS				
Operating expenses	-	(78,118)	-	(543,720)
Depreciation and amortization	-	280	-	(6,376)
	-	84,077	-	115,734
EXPENSES				
Administration	5,912	(5,361)	7,883	788
Bank charges and interest	4,471	466	4,783	1,700
Consulting	82,931	49,533	150,644	132,861
Filing and transfer agent fees	8,119	3,070	14,807	5,919
Foreign exchange	(129,851)	188,387	(201,000)	49,522
Management fees	24,000	(13,636)	48,000	38,020
Office, telephone and printing	13,271	22,546	17,538	52,115
Professional fees	75,588	147,256	158,359	216,739
Property investigation	(9,658)	-	2,662	18,123
Salaries	-	(13,051)	-	5,976
Stock-based compensation (Note 7)	148,251	-	309,978	-
Travel	21,599	43,536	21,599	96,545
	(244,633)	(422,746)	(535,253)	(618,308)
Loss before other items	(244,633)	(338,669)	(535,253)	(502,574)
OTHER ITEMS				
Interest income	9,483	19,556	10,444	39,915
Unrealized loss on investment (Note 6)	(6,207,730)	-	(9,646,980)	-
	(6,198,247)	19,556	(9,636,536)	39,915
Loss and comprehensive loss for the period	(6,442,880)	(319,113)	(10,171,789)	(462,659)
Retained earnings (deficit), beginning of period	1,775,332	(9,811,400)	6,222,105	(9,667,854)
Impact from accounting changes relating to financial instruments (Note 2)	-	-	(717,864)	-
Deficit, end of period	$ (4,667,548)	$ (10,130,513)	$ (4,667,548)	$ (10,130,513)
Basic and diluted loss per common share	$ (0.20)	$ (0.01)	$ (0.32)	$ (0.02)
Weighted average number of common shares outstanding	32,324,952	30,587,995	31,456,473	30,587,995

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, 2008	Three Months Ended January 31, 2007	Six Months Ended January 31, 2008	Six Months Ended January 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (6,442,880)	$ (319,113)	$ (10,171,789)	$ (462,659)
Items not affecting cash				
Foreign exchange	(132,987)	-	(207,276)	-
Unrealized loss on investments	6,207,730	-	9,646,980	-
Depreciation and amortization	-	(280)	-	6,376
Stock-based compensation	148,251	-	309,978	-
Net change in non-cash working capital	(45,708)	224,084	307	11,650
Net cash used in operating activities	(265,594)	(95,309)	(421,800)	(444,633)
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties and deferred exploration costs	-	(306,773)	-	(306,773)
Reclamation bond refunded	-	5,594	-	9,323
Advances from joint venture partner	-	(35,499)	-	18,709
Acquisition of investment	-	(94,501)	-	(94,501)
Net cash used in investing activities	-	(431,179)	-	(373,242)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares for cash	1,870,000	-	1,870,000	550,000
Share issue costs	(146,704)	-	(146,704)	-
Subscriptions received in advance	40,000	-	40,000	-
Loan proceeds	708,000	-	708,000	-
Net cash provided by financing activities	2,471,296	-	2,471,296	550,000
Increase (decrease) in cash and cash equivalents for the period	2,205,702	(526,488)	2,049,496	(267,875)
Cash and cash equivalents, beginning of period	117,018	1,953,733	273,224	1,695,120
Cash and cash equivalents, end of period	$ 2,322,720	$ 1,427,245	$ 2,322,720	$ 1,427,245
Cash and cash equivalents consist of:				
Cash on hand	$ 119,877	$ 1,051,519	$ 119,877	$ 1,051,519
Term deposits	2,202,843	375,726	2,202,843	375,726
	$ 2,322,720	$ 1,427,245	$ 2,322,720	$ 1,427,245

Supplemental disclosure with respect to cash flows (Note 8)

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

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 7 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 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, 2008	July 31, 2007
Working capital	$ 1,591,044	$ 231,855
Retained earnings (deficit)	(4,667,548)	6,222,105

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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.

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

Financial instruments (cont'd…)

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 measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. 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; and (3) 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 and investments 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 is 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 investments.

Change in policies

Accounting Changes

The AcSB issued CICA Handbook Section 1506. The main features of this new standard are (a) voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information; (b) changes in accounting policy are applied retrospectively unless doing so is impracticable (as defined in the section); (c) prior period errors are corrected retrospectively; and (d) new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. This new standard was effective for fiscal years beginning on or after January 1, 2007.

Recent accounting standards

Assessing Going Concern

The AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

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

Recent accounting standards (cont'd…)

Financial Instruments

The AcSB issued 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.* This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The AcSB issued 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. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Capital Disclosures

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Goodwill and Intangible Assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

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

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 January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. 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. ACQUISITION OF MIDDLEVLEI GOLD & INVESTMENTS (PTY) LTD. (FORMERLY PAMODZI GOLD (PROPRIETARY) LIMITED)

During the year ended July 31, 2007, Pamodzi Gold (Pty) Ltd. ("Pamodzi Gold") changed its name to Middelvlei Gold & Investments (Pty) Ltd. ("MGI"), a joint venture, which owned 100% of Pamodzi Gold West Rand (Proprietary) Limited (formerly Impafa Resources (Pty) Ltd.) ("Impafa"), which holds the Middelvlei Mining assets (Note 4).

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 Middlevlei mining property (Note 4) summarized as follows. During the year ended July 31, 2007, 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.

3. ACQUISITION OF MIDDLEVLEI GOLD & INVESTMENTS (PTY) LTD. (FORMERLY PAMODZI GOLD (PROPRIETARY) LIMITED) (cont'd…)

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)
Cash paid (ZAR 14,393,030)	2,369,093
Less: Cash of Pamodzi Gold	(105,467)
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.

During December 2006, the Company, through MGI, sold its interest in Impafa to Pamodzi Gold Limited (formerly Bema SA Pty – listed on the Johannesburg Stock Exchange) in exchange for 7,210,000 shares valued at $21,807,114.

4. MINERAL PROPERTIES

January 31, 2008	Bothaville Gold Project, South Africa January 31, 2008
Acquisition costs	
Balance, beginning and end of period	$ 170,000
Exploration expenditures	
Balance, beginning and end of period	66,054
Balance, end of period	$ 236,054

4. MINERAL PROPERTIES (cont'd…)

July 31, 2007	District of Namaqualand, South Africa	Bothaville Gold Project, South Africa	Middelvlei Property, South Africa	July 31, 2007
Acquisition costs				
Balance, beginning of year	$ 100	$ 170,000	$ 4,160,822	$ 4,330,922
Costs incurred in the year	-	-	8,605	8,605
Written-off during the year	(100)	-	-	(100)
Disposal of property	-	-	(4,169,427)	(4,169,427)
Balance, end of year	-	170,000	-	170,000
Exploration expenditures				
Balance, beginning of year	-	65,337	-	65,337
Geological and consulting	-	717	-	717
Balance, end of year	-	66,054	-	66,054
Mining equipment				
Balance, beginning of year	-	-	132,621	132,621
Disposal of property	-	-	(132,621)	(132,621)
	-	-	-	-
Balance, end of year before Depreciation and amortization	-	236,054	-	236,054
Depreciation and amortization	-	-	(30,654)	(30,654)
Disposal of property	-	-	30,654	30,654
Balance, end of year after depreciation and amortization	$ -	$ 236,054	$ -	$ 236,054

Middlevlei Joint Venture Property, South Africa

On July 31, 2006, the Company acquired a 50% interest in the Middlevlei property in South Africa through its acquisition of MGI. During the year ended July 31, 2007, MGI disposed of its interest in the Middlevlei mineral property to an arms length party in exchange for shares (Note 6).

4. MINERAL PROPERTIES (cont'd…)

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.

Ross Alluvial Goldfield, New Zealand

During the period ended January 31, 2008, the Company entered into an option agreement to acquire a 100 percent 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.

The Company can acquire 100 percent ownership of Placer Gold Resources and its permits by managing all of the required exploration and development work on the mineral property within a 36 month option period. The Company will 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 $10.00 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 $10.00 for each ounce of gold.

During the period ended January 31, 2008, the Company entered into an option agreement to acquire a 100 percent ownership in certain mineral permits, licences and applications to a mineral property located near Ross Township, New Zealand through the purchase of the shares of R & M Mining Limited.

The Company can acquire 100 percent ownership of R & M Mining Limited 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 $4,829,000 CAD) and $5.00 AUD (approximately $4.80 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 $4.83 CAD) for each ounce of gold.

District of Namaqualand, South Africa

The Company is proposing to wind up and abandon all companies which have previously held diamond permits in Namaqualand, South Africa. During the year ended July 31, 2007, the Company wrote off the remaining $100 to operations.

5. LOAN RECEIVABLE

The loan receivable is due from an arms' length party. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. Accordingly, the fair value cannot be readily determined.

6. INVESTMENTS

	January 31, 2008	July 31, 2007
Shares in publicly traded company	$ 11,442,270	$ 21,807,114
Canadian Asset-Backed Commercial Paper	860,200	860,200
	$ 12,302,470	$ 22,667,314

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 January 31, 2008, the Company wrote-down the carrying value to equal the market value of ZAR 11.50 per share ($11,442,270 CAD) resulting in an unrealized loss on investment of $9,646,980.

The quoted market value does not necessarily reflect the long-term net recoverable value of the investment due to the lack of liquidity often found in investments of this nature. There is uncertainty that the future realized value of the investment may not exceed the current carrying cost, such that a write-down of the value would be required, the extent of which is undeterminable at this time.

As at July 31, 2007 and January 31, 2008, the Company held an investment of $860,200 consisting of Canadian Asset-Backed Commercial Paper ("ABCP"), net of a $151,800 fair value adjustment. The ABCP investment matured on August 17, 2007, but was not repaid and remains outstanding.

The Montreal Group representing banks, asset-backed commercial paper providers and major investors has reached an agreement to restructure the ABCP market. This restructuring, which is expected to be completed by March 31, 2008, will replace the existing short-term investments with longer term notes with a maturity of 7 years, on average. These notes will be issued as Senior and Subordinated Notes and a margin facility will be in place for those investors who do not wish to self finance margin calls.

There is no active market for this type of investment, therefore, to determine the fair value, the Company used a probability weighted valuation technique considering the associated credit risk and the time value of money. Based on the limited available information the Company used the following assumptions in its valuation: the trust is a going concern, the Senior Notes will be AAA rated, and the Notes will be interest bearing but interest received will be net of the restructuring costs and the standby fees on the margin facility. The credit risk interest premium was estimated by management and these estimates are not based on observable market prices or rates. the fair market value of this investment may be effected by changes in the assumptions. In addition, there is no certainty regarding the eventual recovery of this investment and consequently the timing and amount of any future cash flows may vary materially from current estimates.

6. INVESTMENTS (cont'd…)

Since the investment is no longer capable of reasonably prompt liquidation, the Company has reclassified this investment to long-term in other assets. This investment continues to be classified as held-for trading.

7. CAPITAL STOCK

	Number of Shares	Share Amount	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Balance, July 31, 2006 and 2007	30,587,995	$ 13,150,271	$ 1,262,173
Private placement	4,700,000	1,880,000	-
Stock-based compensation	-	-	309,978
Share issuance costs	-	(146,704)	-
Fair value of agent warrants	-	(39,788)	39,788
Balance, January 31, 2008	35,287,995	$ 14,843,779	$ 1,611,939

During the period ended January 31, 2008, the Company:

a) completed a private placement of 4,700,000 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 will entitle 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. The Company granted 295,750 agents warrants with the same terms valued at $39,788 as a finder's fee.

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 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 as determined by the board of directors.

7. CAPITAL STOCK (cont'd…)

Stock options (cont'd…)

During the period ended January 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 $309,978 was expensed in the current period, and the remaining $336,929 will be expensed as the options become exercisable over the next year and a half. The weighted average fair value of options granted was $0.22. 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:

	2008	2007
Risk-free interest rate	4.32%	-
Expected life of options	5 years	-
Annualized volatility	64.63%	-
Dividend rate	0.00%	-

As at January 31, 2008, stock options were outstanding and exercisable enabling the holders to acquire 5,955,000 shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,455,000	$ 0.25	May 10, 2011
1,600,000	0.34	October 26, 2011
2,900,000	0.27	August 24, 2012

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

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2006 and 2007	3,055,000	$ 0.30
Options granted	2,900,000	0.27
Balance, January 31, 2008	5,955,000	$ 0.28
Number of options currently exercisable	5,955,000	$ 0.28

7. CAPITAL STOCK (cont'd…)

Warrants

During the period ended January 31, 2008, the Company reported share issuance costs of $39,788, using the Black-Scholes option pricing model, as a result of 295,750 finder's warrants granted.

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

	2008	2007
Risk-free interest rate	3.77%	-
Expected life of options	1 year	-
Annualized volatility	149.86%	-
Dividend rate	0.00%	-

As at January 31, 2008, stock warrants were outstanding and exercisable enabling the holders to acquire 2,645,750 shares as follows:

Number of Shares	Exercise Price	Expiry Date
2,645,750	$ 0.60	December 28, 2008

The Company has granted warrants to purchase common shares. A summary of warrants granted is presented below:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2006	6,041,515	$ 0.61
Warrants expired	(6,041,515)	0.61
Balance, July 31, 2007	-	-
Warrants granted	2,645,750	0.60
Balance, January 31, 2008	2,645,750	$ 0.60

5,410,000 share purchase warrants exercisable at $0.60 expired August 4, 2007.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Six Month Period Ended January 31, 2008	Six Month Period Ended January 31, 2007
Cash paid during the period for interest	$ 3,971	$ 3,660

During the six month period ended January 31, 2008, the Company issued shares worth $10,000 against accounts payable.

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued accounting and administrative service fees of $56,700 (2007 - $73,100) to a partnership in which a director has an interest. As at January 31, 2008 an amount of $27,915 (2007 - $40,600) owing was included in accounts payable.

b) Paid management fees of $48,000 (2007 - $48,000) to a corporation in which a director has an interest.

c) Paid consulting fees of $6,000 (2007 - $Nil) to a director.

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.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, loan receivable, long-term investments and 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.

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.

11. LOAN PAYABLE

The demand non-revolving bridge loan bears interest at the Prime Rate per annum, repayable on demand by the bank. Interest is payable monthly, due on or before September 30, 2008. The loan is secured by the Company's investment in ABCP. The Company paid $21,057 in interest since its inception.

12. INCOME TAXES

	Six Month Period Ended January 31, 2008	Year Ended July 31, 2007
Future income tax assets (liabilities):		
Non-capital loss carryforwards	$ 926,425	$ 834,900
Share issuance costs	61,929	54,425
Cumulative exploration and development expenses	1,044,456	1,179,849
Investments	(2,383,398)	(2,590,674)
Future income tax assets (liabilities)	(350,588)	(521,500)
Valuation allowance	(2,032,810)	(2,069,174)
Net Future income tax assets (liabilities)	$ (2,383,398)	$ (2,590,674)

The Company has available for deduction against future taxable income non-capital losses of approximately $2,740,000. These losses, if not utilized, will expire from 2008 to 2027. 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.

13. JOINT VENTURE OPERATIONS

The financial statements include the Company's 50% interest in the MGI, described in Note 4, as follows:

	2008
Cash	$ 50,508
Non-cash working capital	6,279
Loan receivable	90,000
Long-term investment	11,442,270
Due to joint venture partner	(3,373)
Future income tax payable	(2,383,398)
Net investment in joint venture	(2,242,764)
Retained earnings, end of period	6,959,522
Less: retained earnings, beginning of period	(17,038,926)
Net income (loss) for period	$(10,079,404)
Cash flows from operating activities	$ 6,382
Cash flows from financing activities	$ -
Cash flows from investing activities	$ (23,784)

14. SEGMENTED INFORMATION

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

Geographic information is as follows:

	2008	2007
Loss for the period		
Canada	$ (654,921)	$ (427,701)
South Africa	(9,516,868)	(34,955)
	$(10,171,789)	$ (462,659)

14. SEGMENTED INFORMATION (cont'd…)

	January 31, 2008	July 31, 2007
Resource properties		
South Africa	$ 236,054	$ 236,385

15. SUBSEQUENT EVENTS

Subsequent to January 31, 2008, the Company:

a) completed a private placement of 220,000 units of the Company at a price of $0.40 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 one year to February 7, 2009. The Company paid finder's fees to an arm's length person totaling $3,060 in cash and 8,400 common share purchase warrants. Each warrant will entitle the holder to acquire an additional share of the Company at a purchase price of $0.60 for a period of one year to February 7, 2009. As at January 31, 2008, the Company has received $40,000 in subscriptions.

b) issued 200,000 common shares for finders fees on the Ross Alluvial Goldfield.