SUPERIOR MINING INTERNATIONAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2007

CHARTERED ACCOUNTANTS

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Auditors' Report

To the Shareholders of
Superior Mining International Corporation

We have audited the consolidated balance sheets of Superior Mining International Corporation as at July 31, 2007 and 2006 and the consolidated statements of operations and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at July 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada.
November 22, 2007

"MacKay LLP"
Chartered Accountants

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT JULY 31

	2007	2006
ASSETS		
Current		
Cash and cash equivalents	$ 273,224	$ 1,658,957
Restricted cash	-	36,163
Receivables	2,399	327,431
Prepaid expenses	5,402	22,766
Subscriptions receivable	-	550,000
	281,025	2,295,317
Mineral properties (Note 4)	236,054	4,528,880
Reclamation bonds	-	9,323
Loan receivable (Note 5)	90,000	-
Long-term investments (Note 6)	22,667,314	-
	$ 23,274,393	$ 7,133,520
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 49,170	$ 426,272
Current portion of long-term debt (Note 7)	-	99,888
	49,170	526,160
Long-term debt (Note 7)	-	298,064
Provision for reclamation (Note 13)	-	81,620
Future income tax payable (Note 14)	2,590,674	1,483,086
	2,639,844	2,388,930
Shareholders' equity		
Capital stock (Note 8)	13,150,271	13,150,271
Contributed surplus (Note 8)	1,262,173	1,262,173
Retained earnings (deficit)	6,222,105	(9,667,854)
	20,634,549	4,744,590
	$ 23,274,393	$ 7,133,520

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)
On behalf of the Board:

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

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)
YEAR ENDED JULY 31

	2007	2006
EXPENSES		
Administration	$ 788	$ 4,500
Amortization	-	388
Bank charges and interest	1,446	3,511
Consulting	209,402	339,918
Cost recovery	(102,301)	-
Filing and transfer agent fees	12,689	11,330
Foreign exchange	(197,299)	111,418
Interest	-	154,888
Management fees	133,919	56,000
Office, telephone and printing	67,838	80,514
Professional fees	293,808	206,976
Property investigation	41,575	-
Salaries	5,321	-
Stock-based compensation	-	832,229
Travel	87,145	92,274
Loss before other items and discontinued operations	(554,331)	(1,893,946)
OTHER ITEMS		
Interest income	64,609	9,178
Equipment written-off	-	(6,368)
Mineral properties and other assets written off	(100)	(1,318,753)
Gain on sale of discontinued operations (Note 3(b))	19,351,774	-
Fair value adjustment to asset backed commercial paper (Note 6)	(151,800)	-
	19,264,483	(1,315,943)
Income (loss) for the year before income tax and discontinued operations	18,710,152	(3,209,889)
Future income tax provision (Note 14)	2,823,662	-
Income (loss) for the year from continuing operations	15,886,490	(3,209,889)
Income from discontinued operations (Note 9)	3,469	-
Income (loss) for the year	15,889,959	(3,209,889)
Deficit, beginning of year	(9,667,854)	(6,457,965)
Retained earnings (deficit), end of year	$ 6,222,105	$ (9,667,854)
Basic income (loss) per share	$ 0.52	$ (0.23)
Diluted income (loss) per share	0.40	(0.23)
Weighted average common shares outstanding basic earning (loss) per share	30,587,994	14,236,563
Effect of dilutive earnings (loss) per share		
Stock options	2,021,679	-
Warrants	7,229,271	-
Dilutive potential common shares	9,250,950	-
Weighted average common shares outstanding, adjusted for assumed conversions	39,838,944	14,236,563

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

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

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year from continuing operations	$ 15,886,490	$ (3,209,889)
Items not affecting cash		
Foreign exchange	(282,596)	-
Gain on sale of discontinued operations	(19,351,774)	-
Depreciation and Amortization	30,654	388
Mineral properties and other assets written-off	100	1,318,753
Equipment written-off	-	6,368
Future income tax provision	2,823,662	-
Stock-based compensation	-	832,229
Fair value adjustment of asset backed commercial paper	151,800	-
Net change in non-cash working capital	44,671	(591,345)
Net cash used in operating activities	(696,993)	(1,643,496)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan receivable	(90,000)	-
Mineral properties and deferred exploration costs	(717)	(157,424)
Cash surrendered on write-off of property	-	(70,589)
Acquisition of investment	(196,874)	-
Reclamation bond refunded	9,323	-
Acquisition of Pamodzi Gold, net of cash acquired	-	(2,263,626)
Advances to joint venture partner	-	(51,342)
Discontinued operations	47,976	-
Purchase of Asset Backed Commercial Paper (Note 6)	(1,008,448)	-
Net cash used in investing activities	(1,238,740)	(2,542,981)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash	-	3,525,000
Share subscriptions received	550,000	-
Share issue costs	-	(282,495)
Net cash used in provided by financing activities	550,000	3,242,505
Decrease in cash and cash equivalents for the year	(1,385,733)	(943,972)
Cash and cash equivalents, beginning of year	1,658,957	2,602,929
Cash and cash equivalents, end of year	$ 273,224	$ 1,658,957
Cash and cash equivalents consist of:		
Cash on hand	$ 273,224	$ 518,757
Term deposits	-	1,140,200
	$ 273,224	$ 1,658,957

Supplemental disclosure with respect to cash flows (Note 10)

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 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.

	2007	2006
Working capital	$ 231,855	$ 1,769,157
Retained earnings (deficit)	6,222,105	(9,667,854)

2. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and term investments that are cashable.

Principles of consolidation

These financial statements include the accounts of the Company, its subsidiaries and its proportionate share of Middelvlei Gold & Investments (Pty) Ltd.. All inter-company transactions are eliminated on consolidation.

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.

Quoted market values presented do not necessarily reflect the long-term net realizable value and assume that the Company is able to dispose of all shares held at the closing trading price at year end.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Measurement uncertainty and estimates

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

Mineral properties

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

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

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

Joint interests

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

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Asset retirement obligations (cont'd…)

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset.

Equipment and amortization

Amortization is calculated on a straight-line basis over the estimated useful lives of mining property, plant and equipment. The estimated useful lives are as follows:

Mining plant and machinery	6 years
Prefabricated office and equipment	3 – 6 years

Mining assets are amortized by writing the carrying values off over the expected remaining life (in tons) of a specific pit. Amortization does not commence until steady state mining commences.

Where appropriate, and if significant, expected residual values are taken into account in determining the depreciable values of assets.

Foreign currency translation

The Company's activities and those of its subsidiaries denominated in currencies other than Canadian dollars are translated as integrated operations using the temporal method. This method translates monetary balances at the rate of exchange at the balance sheet date, non-monetary balances at historic exchange rates and revenues and expense items at exchange rates in effect when incurred.

Income (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on income (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the year ended July 31, 2006, this calculation proved to be anti-dilutive.

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

Stock-based compensation

The fair value of stock-based compensation is determined using the Black-Scholes option pricing model. Any consideration paid on exercise of stock options is credited to capital stock. Compensation expense is recognized over the vesting period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share issue costs

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

Income taxes

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

Comparative figures

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

Recent accounting pronouncements

The Canadian Institute of Chartered Accountants issued the following standards effective for the fiscal years beginning on or after October 1, 2006: Accounting Standards Section 1530 "Comprehensive Income", Accounting Standards Section 3855 "Financial Instruments –Recognition and Measurement" Accounting Standard Section 3861 "Financial Instruments – Presentation and Disclosure" and Accounting Standards Section 3865 –"Hedges". These sections require certain financial instruments and hedge transactions to be recorded at fair value. The standards also introduce the concept of comprehensive income and accumulated other comprehensive income.

The Company will adopt these standards effective August 1, 2007 on a prospective basis without retroactive restatement of prior periods. Under the new standard, financial instruments designated as "held for trading" and "available for sale" will be carried at their fair value while financial instruments designated as "loans and receivables", "financial liabilities" and those classified as "held to maturity" will be carried at their amortized cost. All derivatives will be carried on the consolidated balance sheet at their fair value. Mark-to-market adjustments on these instruments will be included in either net income or comprehensive income. Transaction costs incurred to acquire financial instruments will be included in the underlying balance.

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).

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

a) 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.

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 from August 1, 2006 to December 31, 2006.

b) 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 (Note 6). The carrying value of the Company's interest in Impafa was $2,455,340 (Note 10) resulting in a gain on sale of discontinued operations of $19,351,774.

4. MINERAL PROPERTIES

July 31, 2007	District of Namaqualand, South Africa	Bothaville Gold Project, South Africa	Middelvlei Property, South Africa	July 31, 2007	July 31, 2006
Acquisition costs					
Balance, beginning of year	$ 100	$ 170,000	$ 4,160,822	$ 4,330,922	$ 306,692
Costs incurred in the year	-	-	8,605	8,605	4,319,892
Written-off during the year	(100)	-	-	(100)	(295,662)
Disposal of property	-	-	(4,169,427)	(4,169,427)	-
Balance, end of year	-	170,000	-	170,000	4,330,922
Exploration expenditures					
Balance, beginning of year	-	65,337	-	65,337	990,629
Geological and consulting	-	717	-	717	88,406
Administration and supplies	-	-	-	-	7,355
Professional fees	-	-	-	-	3,769
Travel	-	-	-	-	1,792
Costs recovered	-	-	-	-	(73,685)
Written-off during the year	-	-	-	-	(952,929)
Disposal of property	-	-	-	-	-
Balance, end of year	-	66,054	-	66,054	65,337
Mining equipment					
Balance, beginning of year	-	-	132,621	132,621	-
Plant and machinery	-	-	-	-	126,704
Prefabricated office and equipment	-	-	-	-	5,917
Disposal of property	-	-	(132,621)	(132,621)	-
	-	-	-	-	132,621
Balance, end of year before Depreciation and amortization	-	236,054	-	236,054	4,528,880
Depletion 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	$ 4,528,880

4. 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

4. MINERAL PROPERTIES (cont'd…)

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. In December 2006, the Company disposed of its interest in the Middlevlei property to an arms length party in exchange for shares (Note 6 and 9).

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.

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.

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. LONG-TERM INVESTMENTS

	2007	2006
Shares in publicly traded company, carrying value	$ 21,807,114	$ -
Canadian Asset-Backed Commercial Paper	860,200	-
	$ 22,667,314	$ -

During the year ended July 31, 2007 the Company acquired 7,210,000 shares (July 31, 2006 – Nil) representing approximately a 17.575% (July 31, 2006 – 0%) interest in Pamodzi Gold Limited a public company quoted on the Johannesburg Stock Exchange. At July 31, 2007, the share price was approximately ZAR 19.50 per share, which represents a market value of $21,100,000. The Company does not believe that there is a permanent impairment in the carrying value of the stock.

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, the Company had an investment of $860,200 consisting of Canadian Asset-Backed Commercial Paper ("ABCP"), net of a $151,800 write-down. The ABCP investment matured on August 17, 2007, but was not repaid and remains outstanding. A group of participants in the ABCP market, including banks, liquidity providers and major investors (the "Consortium") have agreed to a standstill period with respect to ABCP to permit time for the issuers of the ABCP to be restructured. On October 15, 2007, the Consortium agreed to extend the period to December 14, 2007. There is uncertainty regarding the actual recoverable amount of the investment. The carrying value reflects management's best estimate of the amount that will be recovered.

7. LONG-TERM DEBT

	2007	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: • 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	$ -	$ 397,952
Less: current portion	-	99,888
	$ -	$ 298,064

During the year ended July 31, 2007, the loan was transferred as part of the net consideration for acquisition of the long-term investment (Note 6 and 10).

8. 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 2007	30,587,995	$	13,150,271	$	1,262,173

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 granted 2,599,098 stock options to certain directors, executive officers, employees and consultants, valued at $832,229 which was recognized as stock-based compensation and as contributed surplus. 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.

No stock options were granted during the year ended July 31, 2007.

8. CAPITAL STOCK (cont'd…)

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year ended July 31, 2006:

	2006
Risk-free interest rate	4.07%
Expected life of options	5 years
Annualized volatility	121.05%
Dividend rate	0.00%

As at July 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	455,902	0.25
Balance, July 31, 2006 and 2007	3,055,000	$ 0.30
Number of options currently exercisable	3,055,000	$ 0.30

8. CAPITAL STOCK (cont'd…)

Warrants

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

Number of Shares	Exercise Price	Expiry Date
5,410,000	$ 0.60	August 4, 2007 (expired subsequently)

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	(2,110,769)	0.79
Balance, July 31, 2006	6,041,515	0.61
Warrants expired	(631,515)	0.72
Balance, July 31, 2007 (expired subsequently)	5,410,000	$ 0.60

9. DISCONTINUED OPERATIONS

During December 2006, the Company disposed of its interest in Impafa which held the Middelvlei property (note 3(b)).

The net income from operations of Impafa for the year ended July 31, 2007 from discontinued operations was $3,469. The revenues from the operations of Impafa for the year ended July 31, 2007 from discontinued operations was $1,085,000.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended July 31, 2007 the Company acquired an investment in shares (Note 3(b)) for the following consideration.

Cash	$ 196,874
Working capital items	220,146
Mineral property	4,139,875
Long-term debt	(269,721)
Current portion of long-term debt	(143,054)
Provision for reclamation	(83,981)
Future income tax payable	(1,604,799)
Net consideration	$ (2,455,340)

	2007	2006
Cash paid during the year for interest	$ 3,687	$ 154,888
Cash paid during the year for income taxes	$ -	$ -

During the year ended July 31, 2006, the Company issued 5,260,000 common shares for $2,630,000 of subscriptions received in the 2005 fiscal year. The Company also wrote off $1,248,591 of mineral properties, $1,894 of prepaids and $70,589 of cash and recovered $2,321 of accounts payable on the abandonment of the Bakgaga Project. As at July 31, 2006, $391,830 of mineral property acquisition costs were included in accounts payable.

11. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued accounting and administrative service fees of $108,100 (2006 - $81,200) to a partnership in which a director has an interest. As at July 31, 2007 an amount of $20,000 (2006 - $7,500) owing was included in accounts payable.

b) Paid managment fees of $96,000 (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.

12. 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. 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.

13. PROVISION FOR RECLAMATION

	2007	2006
Current balance	$ -	$ 81,620

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

During the year ended July 31, 2007, the obligation was transferred as part of the net consideration, upon acquisition of the long-term investment (Note 6).

14. INCOME TAXES

	2007	2006
Income (loss) from continuing operations	$ 15,886,490	$ (3,209,889)
Expected income tax recovery (expense)	$ (5,552,328)	$ 1,018,030
Non-taxable gain	2,823,662	-
Effect of change in tax rate	25,026	-
Difference in tax rates in other jurisdictions	995,246	-
Items deductible for tax purposes	21,300	23,249
Items not deductible for income tax purposes	(35)	(752,402)
Change in valuation allowance	(1,136,533)	(288,877)
Total current income taxes	$ -	$ -
Future income tax provision	$ (2,823,662)	$ -

14. INCOME TAXES (cont'd…)

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

	2007	2006
Future income tax assets (liabilities):		
Non-capital loss carryforwards	$ 834,900	$ 897,322
Share issuance costs	54,425	83,485
Cumulative exploration and development expenses	1,179,849	(1,483,086)
Investments	(2,590,674)	-
Future income tax assets (liabilities)	(521,500)	(502,279)
Valuation allowance	(2,069,174)	(980,807)
Net Future income tax assets (liabilities)	$ (2,590,674)	$ (1,483,086)

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.

15. JOINT VENTURE OPERATIONS

The financial statements include the Company's 50% interest in the Middlevlei Gold Joint Venture, described in Note 3, as follows:

	2007	2006
Cash	$ 67,910	$ 105,467
Restricted cash	-	36,163
Non-cash working capital	689	(69,703)
Loan receivable	90,000	-
Long-term investment	21,807,114	-
Mineral property	-	4,293,442
Current portion of long-term debt	-	(99,888)
Long-term debt	-	(298,064)
Due to joint venture partner	(27,157)	(33,618)
Future income tax payable	(2,590,674)	(1,483,086)
Provision for reclamation	-	(81,620)
Net investment in joint venture	(2,308,956)	(2,369,093)
Retained earnings and net income for the year	$ 17,038,926	$ -
Cash flows from operating activities	$ 57,801	$ -
Cash flows from financing activities	$ (245,359)	$ (2,369,093)
Cash flows from investing activities	$ 150,001	$ -

16. SEGMENTED INFORMATION

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

Geographic information is as follows:

	2007	2006
Income (loss) for the year		
Canada	$ (658,486)	$ (2,846,002)
South Africa – continuing operations	16,864	(363,887)
South Africa – gain on sale of discontinued operations, net of future income tax	16,528,112	-
South Africa – discontinued operations	3,469	-
	$ 15,889,959	$ (3,209,889)

	2007	2006
Resource properties		
South Africa	$ 236,054	$ 4,528,880

17. SUBSEQUENT EVENTS

Subsequent to July 31, 2007, the Company:

a) Granted stock options to certain directors, executive officers, employees and consultants of the Company to purchase up to an aggregate of 2,900,000 common shares at an exercise price of $0.27 per share exercisable until August 24, 2012.

b) 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 AU$5.5 million and AU$5.00 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 AU$5.50 for each ounce of gold.