
SUPERIOR MINING INTERNATIONAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED April 30, 2011

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the nine month period ended April 30, 2011.

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	April 30, 2011 (unaudited)	July 31, 2010 (audited)
ASSETS		
Current		
Cash	\$ 10,307	\$ 131,537
Receivables	27,006	25,835
Prepaid expenses	<u>34,485</u>	<u>12,326</u>
	71,798	169,698
Mineral properties (note 3)	2,248,998	1,798,880
Equipment (note 4)	4,806	6,201
Investments (note 5)	<u>-</u>	<u>597,438</u>
	<u>\$ 2,325,602</u>	<u>\$ 2,572,217</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 206,240	\$ 150,289
Loan payable (note 6)	<u>-</u>	<u>708,000</u>
	<u>206,240</u>	<u>858,289</u>
Non-controlling interest	<u>(17,150)</u>	<u>(11,723)</u>
Shareholders' equity		
Capital stock (note 7)	17,000,012	16,114,121
Contributed surplus (note 7)	1,902,205	2,296,331
Obligation to issue shares (note 7)	262,500	-
Deficit	<u>(17,028,205)</u>	<u>(16,684,801)</u>
	<u>2,136,512</u>	<u>1,725,651</u>
	<u>\$ 2,325,602</u>	<u>\$ 2,572,217</u>

Nature of operations and going concern (note 1)

Commitment (note 11)

Subsequent events (note 15)

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, COMPREHENSIVE LOSS AND DEFICIT
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three Month Period Ended April 30, 2011	Three Month Period Ended April 30, 2010	Nine Month Period Ended April 30, 2011	Nine Month Period Ended April 30, 2010
EXPENSES				
Bank charges and interest (note 6)	\$ 2,970	\$ 5,546	\$ 19,838	\$ 17,412
Consulting (note 9)	25,638	27,587	78,423	82,310
Filing and transfer agent fees	10,499	10,101	17,344	19,464
Foreign exchange gain	973	(16,091)	(762)	(20,592)
Management fees (note 9)	25,500	23,200	76,500	72,000
Office, telephone and printing (note 9)	32,445	32,145	79,011	60,491
Professional fees (note 9)	36,509	44,934	96,902	195,438
Property investigation	10,315	-	14,254	16,255
Stock-based compensation (note 7)	108,510	45,905	109,263	172,934
Travel	<u>23,665</u>	<u>40,390</u>	<u>23,665</u>	<u>97,243</u>
Loss before other items	<u>(277,024)</u>	<u>(213,717)</u>	<u>(514,438)</u>	<u>(712,955)</u>
OTHER ITEMS				
Interest and other income	7,168	7	7,509	7
Write-off of loan receivable	-	-	-	(10,673)
Write-off of mineral property	-	-	-	(275,183)
Gain on sale of investments (Note 5)	<u>158,098</u>	<u>-</u>	<u>158,098</u>	<u>-</u>
	<u>165,266</u>	<u>7</u>	<u>165,607</u>	<u>(285,849)</u>
Loss before non-controlling interest	(111,758)	(213,710)	(348,831)	(998,804)
Non-controlling interest	<u>6,651</u>	<u>(7,013)</u>	<u>5,427</u>	<u>(3,954)</u>
Net and comprehensive loss for the period	(105,107)	(220,723)	(343,404)	(1,002,758)
Deficit, beginning of period	<u>(16,923,098)</u>	<u>(16,173,106)</u>	<u>(16,684,801)</u>	<u>(15,391,071)</u>
Deficit, end of period	<u>\$ (17,028,205)</u>	<u>\$ (16,393,829)</u>	<u>\$ (17,028,205)</u>	<u>\$ (16,393,829)</u>
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average common shares outstanding for basic loss per share	47,007,995	41,707,995	46,021,582	40,169,533

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

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

	Three Month Period Ended April 30, 2011	Three Month Period Ended April 30, 2010	Nine Month Period Ended April 30, 2011	Nine Month Period Ended April 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	\$ (105,107)	\$ (220,723)	\$ (343,404)	\$ (1,002,758)
Items not affecting cash				
Foreign exchange	973	(16,091)	(762)	(20,592)
Gain on sale on investments	(158,098)	-	(158,098)	-
Write-off of mineral property	-	-	-	275,183
Stock-based compensation	108,510	45,905	109,263	172,934
Non-controlling interest	(6,651)	7,013	(5,427)	3,954
Changes in non-cash working capital items:				
Decrease / (increase) in receivables	(2,981)	33,690	(1,171)	135,475
Increase in prepaid expenses	(7,391)	(485)	(22,159)	(20,929)
Increase / (decrease) in accounts payable	(64,468)	(9,524)	12,220	(2,337)
Net cash used in operating activities	<u>(235,213)</u>	<u>(160,215)</u>	<u>(409,538)</u>	<u>(459,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties	(178,117)	(101,060)	(404,992)	(309,467)
Repayment of investments	-	148	2,799	4,894
Sale of investments	<u>752,737</u>	<u>-</u>	<u>752,737</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>574,620</u>	<u>(100,912)</u>	<u>350,544</u>	<u>(304,573)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Amounts received for exercise of options	262,500	-	262,500	-
Issuance of shares for cash	-	-	396,000	720,000
Share issue costs	-	-	(13,498)	(47,100)
Subscriptions received	-	175,000	-	175,000
Loan repayment	<u>(708,000)</u>	<u>-</u>	<u>(708,000)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(445,500)</u>	<u>175,000</u>	<u>(62,998)</u>	<u>847,900</u>
Foreign exchange effect on cash	<u>(973)</u>	<u>16,091</u>	<u>762</u>	<u>20,592</u>
Change in cash for the period	(107,066)	(70,036)	(121,230)	104,849
Cash, beginning of period	<u>117,373</u>	<u>209,679</u>	<u>131,537</u>	<u>34,794</u>
Cash, end of period	<u>\$ 10,307</u>	<u>\$ 139,643</u>	<u>\$ 10,307</u>	<u>\$ 139,643</u>

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
APRIL 30, 2011
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at April 30, 2011, the Company had an accumulated deficit of \$17,028,205 (July 31, 2010 - \$16,684,801), a working capital deficiency of \$134,442 (July 31, 2010 - \$688,591) and for the nine month period ended April 30, 2011 had a net loss of \$343,404 (2010 - \$1,002,758). In addition, the Company has not generated revenues from operations. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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

Current market conditions make the present environment for raising additional equity financing unfavourable. An inability to raise additional financing may impact the future assessment of the Company as a going concern under CICA 1400 General Standards of Financial Statement Presentation. See note 10 for further discussion regarding liquidity risk.

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim period financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements, except as noted below. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

SUPERIOR MINING INTERNATIONAL CORPORATION
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2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Principles of consolidation

These financial statements include:

- (i) the accounts of the Company;
- (ii) its wholly own subsidiaries: Superior Mining South Africa (PTY) Corporation, Owl Eye Trading 71 (Pty) Ltd., and Westland Minerals Limited.;
- (iii) its 50% proportionate share of Middelvlei Gold & Investments (Pty) Ltd. ; and
- (iv) its 87% ownership of Turquoise Moon Trading 403 Pty. Ltd.

All inter-company transactions are eliminated on consolidation.

Recent accounting pronouncements

International financial reporting standards (“IFRS”)

In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. The Company is currently evaluating the impact of the conversion on the Company’s consolidated financial statements and is considering accounting policy choices available under IFRS.

SUPERIOR MINING INTERNATIONAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2011
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3. MINERAL PROPERTIES

April 30, 2011	Mangalisa Project, South Africa	Victory Gold Project, New Zealand	Victory North, New Zealand	Otama Project, New Zealand	Ross South, New Zealand	Other, New Zealand	Total
Acquisition costs:							
Balance, beginning of period	\$ 3,843	\$ 90,687	\$ -	\$ 14,609	\$ 2,447	\$ -	\$ 111,586
Additions (recovery)	<u>(1,069)</u>	<u>-</u>	<u>36,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,732</u>
Balance, end of period	<u>2,774</u>	<u>90,687</u>	<u>36,801</u>	<u>14,609</u>	<u>2,447</u>	<u>-</u>	<u>147,318</u>
Exploration expenditures:							
Drilling	-	10,541	-	530	4,213	15,112	30,396
Geological and consulting	-	62,346	15,111	151,546	33,234	36,843	299,080
Office and miscellaneous	234	1,789	-	-	2,575	25,528	30,126
Travel	-	2,646	-	35,031	-	15,712	53,389
Amortization (note 4)	<u>-</u>	<u>1,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,395</u>
Balance, beginning of period	<u>234</u> <u>1,137,968</u>	<u>78,717</u> <u>481,955</u>	<u>15,111</u> <u>12,624</u>	<u>187,107</u> <u>43,045</u>	<u>40,022</u> <u>11,702</u>	<u>93,195</u> <u>-</u>	<u>414,386</u> <u>1,687,294</u>
Total deferred exploration	<u>1,138,202</u>	<u>560,672</u>	<u>27,735</u>	<u>230,152</u>	<u>51,724</u>	<u>93,195</u>	<u>2,101,680</u>
Balance, end of period	\$ <u>1,140,976</u>	\$ <u>651,359</u>	\$ <u>64,536</u>	\$ <u>244,761</u>	\$ <u>54,171</u>	\$ <u>93,195</u>	\$ <u>2,248,998</u>

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

July 31, 2010	Mangalisa Project, South Africa	Victory Gold Project (formerly Placer Gold Project), New Zealand	Victory North, New Zealand	Otama Project, New Zealand	Ross South (formerly Westland Project), New Zealand	Ray Thomas Project, New Zealand	Total
Acquisition costs:							
Balance, beginning of year	\$ 3,843	\$ 90,687	\$ -	\$ -	\$ 2,447	\$ 22,917	\$ 119,894
Additions	-	-	-	14,609	-	4,977	19,586
Written-off	-	-	-	-	-	(27,894)	(27,894)
Balance, end of year	<u>3,843</u>	<u>90,687</u>	<u>-</u>	<u>14,609</u>	<u>2,447</u>	<u>-</u>	<u>111,586</u>
Exploration expenditures incurred during the year							
Drilling	-	89,447	-	340	5,943	-	95,730
Geological and consulting	87,360	186,573	7,202	42,705	4,884	13,886	342,610
Office and miscellaneous	-	1,421	1,620	-	875	379	4,295
Travel	-	2,809	3,802	-	-	-	6,611
Amortization (note 4)	-	1,993	-	-	-	664	2,657
Written-off	-	-	-	-	-	(247,289)	(247,289)
Balance, beginning of year	<u>87,360</u> <u>1,050,608</u>	<u>282,243</u> <u>199,712</u>	<u>12,624</u> <u>-</u>	<u>43,045</u> <u>-</u>	<u>11,702</u> <u>-</u>	<u>(232,360)</u> <u>232,360</u>	<u>204,614</u> <u>1,482,680</u>
Total deferred exploration	<u>1,137,968</u>	<u>481,955</u>	<u>12,624</u>	<u>43,045</u>	<u>11,702</u>	<u>-</u>	<u>1,687,294</u>
Balance, end of year	<u>\$ 1,141,811</u>	<u>\$ 572,642</u>	<u>\$ 12,624</u>	<u>\$ 57,654</u>	<u>\$ 14,149</u>	<u>\$ -</u>	<u>\$ 1,798,880</u>

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

Mangalisa Project, South Africa

During the fiscal 2008, the Company was granted a lease, giving it the right to explore a 180 square-kilometre property in the eastern part of the Free State Goldfield, near the village of Riebeeckstad, South Africa.

In April 2010, the Company entered into an agreement with Minco Mineral Holdings (Pty) Limited (“Minco”), pursuant to which Minco had the option to acquire 90% of the Company’s directly controlled shares in Turquoise Moon Trading 403 Pty. Ltd (“TMT”) by spending USD\$10,000,000 (CAD\$9,464,000) on the development of TMT’s Mangalisa Project, of which USD\$5,000,000 (CAD\$4,732,000) had to be spent by April 2011. The Company holds a 74% interest in TMT directly and a further 13% interest indirectly. If Minco expended the full USD\$10,000,000, the Company’s direct and indirect interest in TMT would have been reduced to 20.4% (7.4% directly and 13% indirectly). The Company issued 250,000 finders warrants with a fair value of \$84,905 in connection with the agreement (note 7).

By the April, 2011 milestone date, Minco had failed to meet the minimum exploration expenditure requirement and they forfeited their right to acquire an interest in the Mangalisa property. The Company is currently working with local parties to complete the remainder of the exploration program.

Victory Gold Project, New Zealand (formerly the Placer Gold Project)

During fiscal 2008, the Company entered into an option agreement to acquire 100% ownership of a mineral permit for a property located near Ross Township, New Zealand through the purchase of all of the shares of Placer Gold Resources Limited (“Placer Gold”).

During fiscal 2010, the Company amended the option. Under the terms of the amended option agreement (the “Agreement”), Placer Gold and its shareholders granted the Company a 24 month option to acquire a 100% interest in the permits comprising the Victory Property by carrying out an exploration program, constructing a placer mining facility (the “Plant”) on that property, and processing 10,000 cubic meters of material through the Plant. The Agreement is structured as an option to purchase all of the issued and outstanding shares in the capital of Placer Gold, a New Zealand company.

Upon exercise of the option, the Company will grant to the Placer Gold shareholders a 7% net smelter royalty on the Property. In contrast to the previous option agreement, the Company is no longer required to complete a bankable feasibility study nor pay any advance royalty prior to commencing production on the property. Subject to the results of the aforementioned work program, the Company can proceed to build the Plant for the purpose of exercising the option and advancing the project to production. During the option period, the Company will be entitled to manage all of the required exploration and development work on the Victory Property

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

Victory North, New Zealand

During the year ended July 31, 2010, the Company was granted an Exploration Permit on aground immediately adjacent to that of the Victory Gold Project in New Zealand.

No work was carried out during the period apart from a geological review of the property.

Otama Project, New Zealand

In April 2010, the Company entered into an option agreement with Lodestar Resources Limited (“Lodestar”) to purchase an 80% interest in the Otama Property in northern Southland, New Zealand by:

- i) Payment of up to NZ\$20,000 (paid) covering previous Lodestar expenses (for a 20% interest);
- ii) The undertaking by the Company of a reverse circulation drilling program at a cost no less than NZ\$50,000 (for a cumulative 51% interest);
- iii) Exploration expenditure of a further CDN\$1,000,000 over 5 years (for a cumulative 80% interest)

Should Lodestar elect not to contribute an on-going project funding once the Company has reached the 80% threshold, it’s interest will be converted to a 7% net smelter royalty.

Ross South, New Zealand (formerly the Westland Project)

During fiscal 2009, the Company was granted a lease to explore a property close to the Ross property in New Zealand.

During the quarter, SUI applied for a change of condition to the permit to remove the requirement to map the property. After reviewing the property, it was apparent that it was impossible to navigate and view any outcrop due to the thick bush cover. The exploration program will now shift to where possible stream sediment sampling can be carried out.

A land access agreement was executed between SUI and neighboring property owner Mr Ray Thomas. The agreement now allows for SUI to drive through his property to access drill targets and thus save on earthworks.

Ray Thomas Project, New Zealand

During the year ended July 31, 2008, the Company entered into an option agreement to acquire a 100% ownership in certain mineral permits, licenses and applications to a mineral property located near Ross Township, New Zealand through the purchase of the shares of R & M Mining Limited (“R & M”). During the year ended July 31, 2010, the Company terminated the agreement resulting in a mineral property write-off of \$275,183.

4. EQUIPMENT

	April 30, 2011			July 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Vehicle	\$14,887	\$10,081	\$4,806	\$14,887	\$8,686	\$6,201

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5. INVESTMENTS

	April 30, 2011	July 31, 2010
Plan Notes	\$ -	\$ 597,438

At July 31, 2010, investments included Master Asset Vehicle II notes received in exchange for Canadian third-party asset backed commercial paper (“ABCP”) that was held by the Company.

During the nine month period ended April 30, 2011, the Company:

- i) received repayments of investment of \$2,799 (2009 - \$4,894); and
- ii) disposed all of its holdings in MAV II notes for proceeds of \$752,737. Consequently, the Company repaid the demand non-revolving bridge loan of \$708,000 (Note 6) to its bank and recognized a gain on sale of investments of \$158,098.

6. LOAN PAYABLE

	April 30, 2011	July 31, 2010
Non-revolving bridge loan	\$ -	\$ 708,000
	\$ -	\$ 708,000

At July 31, 2010, the demand non-revolving bridge loan bears interest at the HSBC Bank Prime Rate plus 1% per annum, repayable on demand by the bank. Interest is payable monthly. The loan is secured by the Company’s investment in Plan Notes (note 5).

During the nine month period ended April 30, 2011, the Company:

- i) paid \$18,908 in interest (2010 - \$17,207); and
- ii) repaid the loan in full with proceeds from sale of ABCP (Note 5).

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7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Share \$ Amount	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued			
Balance, July 31, 2009	35,707,995	\$ 15,000,493	\$ 1,968,612
Private placement	8,000,000	1,220,000	-
Share issuance costs	-	(95,574)	-
Stock-based compensation	-	-	232,016
Fair value of finders' warrants issued for private placement	-	(10,798)	10,798
Fair value of finders' warrants issued for mineral property	-	-	84,905
Balance, July 31, 2010	43,707,995	16,114,121	2,296,331
Private placement (i)	3,300,000	396,000	-
Share issuance costs	-	(13,498)	-
Stock-based compensation	-	-	109,263
Fair value of options exercised (ii)	-	503,389	(503,389)
Balance, April 30, 2011	47,007,995	\$ 17,000,012	\$ 1,902,205

- i) completed a non-brokered private placement for \$396,000 by issuing 3,300,000 common shares at a price of \$0.12 per share. The Company paid \$13,498 in cash in connection with the private placement.
- ii) received \$262,500 from the exercise of 1,094,444 options. The shares were issued subsequent to the period ended April 30, 2011 (Note 15).

Stock options

The Company has a fixed stock option plan whereby a maximum of 20% of the issued common shares are reserved for issuance under the plan (being an aggregate of 9,401,599 common shares). The options can be granted for a maximum term of five years and pricing and vesting as determined by the board of directors.

During the nine month period ended April 30, 2011, the Company:

- i) granted 2,090,000 stock option with a fair value of \$392,008 estimated using the Black-Scholes option pricing model. The options have various vesting dates. The fair value per option granted during the period was \$0.19; and
- ii) recorded stock-based compensation expense of \$109,263 for options vested.

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7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options (cont'd...)

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

	April 30, 2011	April 31, 2010
Risk-free interest rate	2.76%	2.69%
Expected life of options	5 years	5 years
Annualized volatility	142%	148%
Dividend rate	0.00%	0.00%

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

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2009	6,205,000	0.27
Options – exercise price amended	(1,500,000)	(0.34)
Options – exercise price amended	1,500,000	0.12
Options granted	1,430,000	0.15
Options expired	<u>(1,000,000)</u>	(0.17)
Balance, July 31, 2010	6,635,000	0.21
Options cancelled	(520,000)	(0.27)
Options granted	2,090,000	0.22
Options expired	(455,000)	(0.25)
Options exercised	* <u>(1,094,444)</u>	(0.24)
Balance, April 30, 2011	6,655,556	\$0.13
Number of options currently exercisable	4,993,056	\$0.20

* Shares issued subsequently (Note 15)

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7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2009	-	\$ -
Granted	<u>338,320</u>	<u>0.40</u>
Balance, July 31, 2010	338,320	\$ 0.40
Expired	<u>(338,320)</u>	<u>\$ (0.40)</u>
Balance, April 30, 2011	\$ -	\$ -

As at April 30, 2011, the following stock options and warrants were outstanding:

	Number of Shares	Exercise Price	Expiry Date
Stock options	1,500,000	0.12 *	July 26, 2011
	2,085,556	0.27	August 24, 2012
	250,000	0.08	May 7, 2014
	100,000	0.05	May 28, 2014
	100,000	0.12	September 24, 2014
	230,000	0.215	April 7, 2015
	300,000	0.185	June 25, 2015
	<u>2,090,000</u>	0.22	March 4, 2016
	6,655,556		

* Re-priced the exercise price during the year ended July 31, 2010 from \$0.34 to \$0.12.

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8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Nine Month Period Ended April 30, 2011	Nine Month Period Ended April 30, 2010
Cash paid during the year for interest	\$ 19,463	\$ 17,207
Cash paid during the year for income taxes	\$ -	\$ -

During the nine month period ended April 30, 2011, the Company had the following significant non-cash investing and financing activities.

- a) Included in accounts payable \$64,734 (July 31, 2010 - \$21,003) of mineral property costs.
- b) Amortization allocated to mineral properties of \$1,395 (2010 - \$1,992).
- c) Fair value of option exercised of \$503,389.

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) paid or accrued professional fees of \$45,550 (2010 - \$57,550) to a partnership in which a director has an interest. As at April 30, 2011 an amount of \$30,172 (July 31, 2010 - \$33,072) owing was included in accounts payable;
- b) paid management fees of \$76,500 (2010 - \$72,000) to a corporation owned by a director of the Company;
- c) paid consulting fees of \$34,282 (2010 - \$50,310) to a director of a subsidiary;
- d) paid administration fees of \$10,060 (2010 - \$9,000), recorded as office fees, to a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties. These figures do not include stock-based compensation (see note 7).

10. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, receivables, 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.

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

Concentration of credit risk

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

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

Fair value

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

Financial statements measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as either "Level 1", "Level 2", or Level 3". As at April 30, 2011, financial instruments measured at fair value consists of only cash and it is classified as Level 1.

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote as it maintains accounts with highly-rated financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2011, the Company had current assets of \$71,798 (July 31, 2010 - \$169,698) to settle current liabilities of \$206,240 (July 31, 2010 - \$858,289). All of the Company's financial liabilities are classified as current and may mature within the next fiscal period.

Market risk

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

(a) Interest rate risk

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

(b) Foreign currency risk

The Company has monetary assets and liabilities denominated in foreign currencies and non-monetary assets represented by mineral exploration interests in the Republic of South Africa (ZAR\$) and New Zealand (NZ\$). The

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

Fair value (cont'd...)

Company could accordingly be at risk for foreign currency fluctuations.

As at April 30, 2011, the Company had the following financial instruments in ZAR\$:

	CAD \$ equivalent	ZAR \$
Cash	\$ 18,244	\$ 126,605
Accounts receivable	10,704	74,283
Accounts payable and accrued liabilities	41,210	285,980

As at April 30, 2011, ZAR\$ amounts were converted at a rate of ZAR\$1 to \$0.1441 Canadian dollars.

Market risk (cont'd...)

As at April 30, 2011, the Company had the following financial instruments in NZD\$:

	CAD \$ equivalent	NZD \$
Cash	3,345	4,367
Accounts payable and accrued liabilities	25,670	33,516

As at April 30, 2011, NZD\$ amounts were converted at a rate of NZD\$1 to \$0.7659 Canadian dollars.

(c) Price risk

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

11. COMMITMENT

The Company has committed to rent office space as follows:	2011	\$ 4,086
	2012	16,344
	2013	<u>1,362</u>
		<u>\$ 21,792</u>

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12. JOINT VENTURE OPERATIONS

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

	April 30, 2011	April 30, 2010
Cash	\$ 1,668	\$ 1,677
Non-cash working deficiency	(25,159)	(22,158)
Loss for the period ended	\$ (1,584)	\$ (11,382)
Cash flows from operating activities	\$ (1,097)	\$ (11,011)

13. SEGMENTED INFORMATION

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

Geographic information is as follows:

	April 30, 2011	July 31, 2010
Resource properties		
South Africa	\$ 1,140,976	\$1,141,811
New Zealand	1,108,022	657,069
Equipment – New Zealand	4,806	6,201

14. CAPITAL MANAGEMENT

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

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

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

15. SUBSEQUENT EVENTS

Subsequent to April 30, 2011, the Company issued 1,094,444 shares for stock options exercised during the period ended April 30, 2011.