SUPERIOR MINING INTERNATIONAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2011 AND 2010

(Expressed in Canadian dollars)

CHARTERED ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of
Superior Mining International Corporation

We have audited the accompanying consolidated financial statements of Superior Mining International Corporation and its subsidiaries, which comprise the consolidated balance sheets as at July 31, 2011 and July 31, 2010, and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Superior Mining International Corporation and its subsidiaries as at July 31, 2011 and July 31, 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Superior Mining International Corporation to continue as a going concern.

"MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
November 21, 2011

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT JULY 31
(Expressed in Canadian dollars)

	2011	2010
ASSETS		
Current		
Cash	$ 107,660	$ 131,537
Receivables	14,749	25,835
Prepaid expenses	15,544	12,326
Total current assets	137,953	169,698
Mineral properties (note 3)	1,417,637	1,798,880
Equipment (note 4)	4,341	6,201
Investments (note 5)	-	597,438
Total Assets	$ 1,559,931	$ 2,572,217
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 9)	$ 331,276	$ 150,289
Loan payable (note 6)	-	708,000
Total current liabilities	331,276	858,289
Non-controlling interest	(15,423)	(11,723)
Shareholders' equity		
Capital stock (note 7)	18,260,264	16,114,121
Contributed surplus (note 7)	1,267,388	2,296,331
Deficit	(18,283,574)	(16,684,801)
Total shareholders' equity	1,244,078	1,725,651
Total Liabilities and Shareholders' Equity	$ 1,559,931	$ 2,572,217

Nature of operations and going concern (note 1)
Commitments (notes 3 and 11)
Subsequent Events (note 16)

Approved by the Board of Directors and authorized for issue on November 21, 2011:

"John Proust" Director *"Brent Butler"* 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
YEARS ENDED JULY 31
(Expressed in Canadian dollars)

	2011	2010
EXPENSES		
Bank charges and interest (note 6)	$ 19,930	$ 23,432
Consulting (note 9)	98,977	115,807
Filing and transfer agent fees	18,629	24,995
Foreign exchange loss (gain)	4,984	(1,766)
Management fees (note 9)	102,000	96,500
Office, telephone and printing (note 9)	98,654	76,748
Professional fees (note 9)	223,275	284,435
Property investigation (note 9)	23,272	52,985
Stock-based compensation (note 7)	155,348	232,016
Travel	24,467	117,179
Write-off of mineral property(note 3)	998,536	275,183
Loss before other items	(1,768,072)	(1,297,514)
OTHER ITEMS		
Interest and other income	7,501	374
Write-off of loan receivable	-	(10,673)
Gain on sale of investments (note 5)	158,098	-
Unrealized gain on investment (note 5)	-	11,214
	165,599	915
Loss before non-controlling interest	(1,602,473)	(1,296,599)
Non-controlling interest	3,700	2,869
Loss and comprehensive loss for the year	(1,598,773)	(1,293,730)
Deficit, beginning of year	(16,684,801)	(15,391,071)
Deficit, end of year	$ (18,283,574)	$ (16,684,801)
Basic and diluted loss per common share	$ (0.03)	$ (0.03)
Weighted average common shares outstanding for basic loss per share	46,960,989	40,962,790

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31
(Expressed in Canadian dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (1,598,773)	$ (1,293,730)
Items not affecting cash		
Foreign exchange	4,984	(1,766)
Gain on sale on investments	(158,098)	-
Unrealized gain on investment	-	(11,214)
Write-off of mineral property	998,536	275,183
Stock-based compensation	155,348	232,016
Shares issued for consulting fees	6,000	-
Non-controlling interest	(3,700)	(2,869)
Changes in non-cash working capital items:		
Decrease in receivables	11,086	119,958
Increase in prepaid expenses	(3,218)	(12,326)
Increase in accounts payable	168,623	66,943
Net cash used in operating activities	(419,212)	(627,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral properties	(603,069)	(398,697)
Repayment of investments	2,799	(2,947)
Sale of investments	752,737	-
Net cash provided by (used in) investing activities	152,467	(401,644)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received for exercise of options	573,350	-
Issuance of shares for cash	396,000	1,220,000
Share issue costs	(13,498)	(95,574)
Loan repayment	(708,000)	-
Net cash provided by financing activities	247,852	1,124,426
Foreign exchange effect on cash	(4,984)	1,766
Change in cash for the year	(23,877)	96,743
Cash, beginning of year	131,537	34,794
Cash, end of year	$ 107,660	$ 131,537

Supplemental disclosure with respect to cash flows (note 8)

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

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 July 31, 2011, the Company had an accumulated deficit of $18,283,574 (2010 - $16,684,801), a working capital deficiency of $193,323 (2010 - $688,591) and for the year ended July 31, 2011 had a net loss of $1,598,773 (2010 - $1,293,730). 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 financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

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., Westland Minerals Limited and SUI (NZ) Limited;
(iii) its 50% proportionate share of Middelvlei Gold & Investments (Pty) Ltd. ("MGI"); and
(iv) its 87% ownership of Turquoise Moon Trading 403 Pty. Ltd.

All inter-company balances and transactions are eliminated on consolidation.

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

Financial instruments

The Company follows the recommendations of CICA Handbook Section 3855, Financial Instruments – Recognition and measurement. Section 3855 provides that all financial instruments are to be recorded initially at fair value, with the exception of certain related party transactions. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument:

- Held for trading assets and liabilities - measured at fair value with the change in the fair value recognized in net income during the period.
- Available-for-sale assets - measured at fair value with the changes in fair value recorded in other comprehensive income.
- Held-to-maturity assets - measured at amortized cost using the effective interest rate method.
- Loans and receivables - measured at amortized cost using the effective interest rate method.
- Other liabilities - measured at amortized cost using the effective interest rate method.

Transaction costs related to financial instruments will be expensed in the period incurred.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash	Held for trading
Investments	Held for trading
Receivables	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Loan payable	Other liabilities

CICA Handbook Section 3862, Financial Instruments – Disclosures require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

See note 10 for relevant disclosures.

2. BASIS OF PRESENTATION AND 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 valuation of stock-based compensation and financing, impairment of assets, valuation of investments, provision for reclamation and useful lives for depreciation and amortization. Actual results could differ from these estimates.

Mineral properties

i. 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.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral property interests as well as the potential for problems arising from the frequently ambiguous conveying history characteristic of many mineral properties. The Company has investigated titles to all of its mineral property interests and, to the best of its knowledge, title to all of its mineral property interests are in good standing.

ii. 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.

iii. Asset retirement obligations

Asset retirement obligations are recognized for legal obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation must be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying value of the related long-lived asset. The asset retirement cost is subsequently charged to operations in a rational and systematic manner over the underlying asset's useful life. The initial fair value of the asset retirement liability is accreted, by charges to operations, to its estimated future value. The Company has determined that there are no significant asset retirement obligations at July 31, 2011 and 2010.

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

Mineral properties (cont'd…)

iv. Impairment of long lived assets

The Company has adopted the recommendations of CICA Handbook Section 3063 "Impairment of Long-lived Assets" and abstract EIC 174, "Mining Exploration Costs" ("EIC 174") of the Emerging Issues Committee. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstance indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated.

EIC 174 provides that an enterprise that is in the development stage with initially capitalized exploration costs but has not established mineral reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property, is not obliged to conclude that the capitalized costs have been impaired. However, such an enterprise should consider whether a subsequent write-down of capitalized exploration costs related to mining properties is required.

Equipment

Amortization is calculated using the declining balance method at the following annual rate:

Vehicle 30%

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, except for amortization which is converted using rates prevailing at dates of acquisition. Any exchange gains or losses are included in the consolidated statements of operations.

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 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, 2011 and 2010, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year.

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

Stock-based compensation

The Company accounts for its stock-based compensation programs using the fair value method. The fair value of option grants is generally established at the date of grant using the Black-Sholes option pricing model and the expense is recognized over the vesting period, with offsetting amounts recorded as contributed surplus. For nonemployees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date which the equity instruments are granted if they are fully vested and non-forfeitable. The Company has not incorporated an estimated forfeiture rate for stock options, rather the Company accounts for actual forfeitures as they occur. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

Share issue costs

Costs directly identifiable with the raising of capital are charged directly to share capital. 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.

Valuation of warrants

The Company has adopted the residual value method with respect to the valuation of warrants issued as part of a private placement unit. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the attached warrants. The fair value attributed to the warrants, if any, is recorded in Contributed Surplus.

Future income taxes

Future 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.

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

Comparative figures

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

Recent accounting pronouncements (not yet adopted)

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.

(Expressed in Canadian dollars)

3. MINERAL PROPERTIES

July 31, 2011	Mangalisa Project, South Africa	Victory Gold Project, New Zealand	Victory North, New Zealand	Otama Project, New Zealand	Ross South, New Zealand	Collingwood, New Zealand	Kirwans, New Zealand	Total
Acquisition costs:								
Balance, beginning of year	$ 3,843	$ 90,687	$ -	$ 14,609	$ 2,447	$ -	$ -	$ 111,586
Additions	-	-	-	-	-	111,380	-	111,380
Write-off	-	(90,687)	-	(14,609)	-	-	-	(105,296)
Balance, end of year	3,843	-	-	-	2,447	111,380	-	117,670
Exploration expenditures:								
Drilling	-	10,541	-	-	4,743	7,556	7,556	30,396
Geological and consulting	5,764	89,034	15,110	178,334	44,635	37,018	22,743	392,638
Office and miscellaneous	234	2,556	1,239	651	3,018	1,267	-	8,965
Travel	-	6,885	-	39,269	3,610	13,479	8,811	72,054
Amortization (note 4)	-	1,860	-	-	-	-	-	1,860
Write-off	-	(592,831)	-	(261,299)	-	-	(39,110)	(893,240)
	5,998	(481,955)	16,349	(43,045)	56,006	59,320	-	(387,327)
Balance, beginning of year	1,137,968	481,955	12,624	43,045	11,702	-	-	1,687,294
Total deferred exploration	1,143,966	-	28,973	-	67,708	59,320	-	1,299,967
Balance, end of year	$ 1,147,809	$ -	$ 28,973	$ -	$ 70,155	$ 170,700	$ -	$ 1,417,637

(Expressed in Canadian dollars)

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	3,843	90,687	-	14,609	2,447	-	111,586
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)
	87,360	282,243	12,624	43,045	11,702	(232,360)	204,614
Balance, beginning of year	1,050,608	199,712	-	-	-	232,360	1,482,680
Total deferred exploration	1,137,968	481,955	12,624	43,045	11,702	-	1,687,294
Balance, end of year	$ 1,141,811	$ 572,642	$ 12,624	$ 57,654	$ 14,149	$ -	$ 1,798,880

3. MINERAL PROPERTIES (cont'd…)

Mangalisa Project, South Africa

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

In October 2009, 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$9,555,000) on the development of TMT's Mangalisa Project, of which USD$5,000,000 (CAD$4,777,500) 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 (CAD$9,555,000), 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.

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.

During fiscal 2011, the Company terminated the agreement resulting in a mineral property write-off of $683,518.

Victory North, New Zealand

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

3. MINERAL PROPERTIES (cont'd…)

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.

During the year ended July 31, 2011, the Company terminated the agreement resulting in a minerals property write-off of $275,908.

Ross South, New Zealand *(formerly the Westland Project)*

During fiscal 2009, the Company was granted an Exploration Permit for a property approximately 2 km. south of the Victory Gold Project, on the South Island of New Zealand.

During the fiscal 2011, a land access agreement was executed between the Company and neighboring property owner Mr Ray Thomas. The agreement allows for the Company to drive through his property to access Ross South and its proposed drill targets.

Collingwood Project, New Zealand

During fiscal 2011, the Company was granted an Exploration Permit in Collingwood, New Zealand.

Kirwans Project, New Zealand

During the year ended July 31, 2011, the Company through a wholly owned subsidiary, applied for a Prospecting Permit; however, the Company decided to withdraw the permit application resulting in a mineral property write-off of $39,110.

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.

(Expressed in Canadian dollars)

4. EQUIPMENT

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Vehicle	$14,887	$10,546	$4,341	$14,887	$8,686	$6,201

5. INVESTMENTS

	2011	2010
MAV II notes	$ -	$ 597,438

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

During the year ended July 31, 2011, the Company:

i) received repayments of investment of $2,799 (2010 – repayment $2,948); and

ii) sold 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

	2011	2010
Non-revolving bridge loan	$ -	$ 708,000

At July 31, 2010, the demand non-revolving bridge loan bore interest at the HSBC Bank Prime Rate plus 1% per annum, repayable on demand by the bank. Interest was payable monthly. The loan was secured by the Company's investment in MAV II notes (note 5).

During the year ended July 31, 2011, the Company:

i) paid $18,908 in interest (2010 - $23,148); and

ii) repaid the loan in full with proceeds from sale of the MAV II notes (note 5).

(Expressed in Canadian dollars)

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	3,300,000	396,000	-
Stock-option exercised	3,242,500	579,350	-
Share issuance costs	-	(13,498)	-
Stock-based compensation	-	-	155,348
Fair value of options exercised	-	1,184,291	(1,184,291)
Balance, July 31, 2011	50,250,495	$ 18,260,264	$ 1,267,388

During the year ended July 31, 2011, the Company:

a) completed a non-brokered private placement for $396,000 (2010 - $1,220,000) by issuing 3,300,000 (2010 – 8,000,000) common shares at a price of $0.12 per share (2010 - $0.12 to $0.25 per share). The Company paid $13,498 in cash (2010 - $95,574 in cash and 88,320 finders' warrants with a fair value of $10,798) in connection with the private placement. During the year ended July 31, 2010 the grant-date fair value for the finders' warrants was estimated using the Black-Scholes option pricing model, with the following weighted average assumptions: 0% dividend rate; annual volatility of 152%; risk free rate of 1.39%; and expected life of 1.74 years; and

b) issued 3,242,500 (2010 – nil) common shares for stock options exercised.

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 10,050,099 common shares). The options can be granted for a maximum term of five years and pricing and are vesting as determined by the board of directors.

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	(1,000,000)	(0.17)

-Continued-

(Expressed in Canadian dollars)

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

Stock options (cont'd…)

	Number of Options	Weighted Average Exercise Price
Continued…		
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	(3,242,500)	(0.18)
Balance, July 31, 2011	4,507,500	$0.23
Number of options currently exercisable	2,845,000	$0.23
Weighted average contractual life remaining in years		3.07

During the year ended July 31, 2011, the Company:

i) granted 2,090,000 (2010 – 1,430,000) stock options with a fair value of $392,008 (2010 - $192,115) estimated using the Black-Scholes option pricing model. The options have various vesting dates. The weighted average fair value per option granted during the year was $0.19 (2010 - $0.13);

ii) recorded stock-based compensation expense of $155,348 (2010 - $7,951) for options vested; and

iii) recorded a transfer of the fair value of $1,184,291 (2010 - $nil) to share capital for options exercised.

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

	2011	2010
Risk-free interest rate	2.76%	2.58%
Expected life of options	5 years	5 years
Annualized volatility	142%	145%
Dividend rate	0.00%	0.00%

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	338,320	0.40
Balance, July 31, 2010	338,320	0.40
Expired	(88,320)	(0.25)
Balance, July 31, 2011	250,000	$ 0.45

(Expressed in Canadian dollars)

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

As at July 31, 2011, the following stock options and warrants were outstanding:

	Number of Shares	Exercise Price	Expiry Date
Stock options	1,700,000	$0.27	August 24, 2012
	100,000	0.05	May 28, 2014
	200,000	0.12	September 24, 2014
	230,000	0.215	April 7, 2015
	300,000	0.185	June 25, 2015
	1,977,500	0.22	March 4, 2016
	4,507,500		
Warrants	250,000	$0.45	April 8, 2012

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2011	2010
Cash paid during the year for interest	$ 18,908	$ 23,148
Cash paid during the year for income taxes	$ -	$ -

During the year ended July 31, 2011, the Company had the following significant non-cash investing and financing activities:

a) included in accounts payable $33,367 (2010 - $21,003) of mineral property costs;

b) amortization allocated to mineral properties of $1,860 (2010 - $2,657);

c) fair value of options exercised of $1,184,291 (2010 - $Nil);

d) fair value of $nil (2010 - $10,798) allocated to finders' warrants; and

e) fair value of $nil (2010 - $84,905) allocated to warrants issued for mineral property.

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) paid or accrued professional fees of $63,750 (2010 - $66,000) to a partnership in which a director has an interest. As at July 31, 2011 an amount of $66,256 (2010 - $33,072) owing was included in accounts payable;

b) paid management fees of $102,000 (2010 - $96,500) to a corporation owned by a director of the Company. As at July 31, 2011 an amount of $38,080 (2010 - $nil) owing was included in accounts payable;

c) paid consulting fees of $62,642 (2010 - $66,807) to a director of a subsidiary;

d) paid administration fees of $13,060 (2010 - $12,000), recorded as office fees, to a director of the Company. As at July 31, 2011 an amount of $8,000 (2010 - $nil) owing was included in accounts payable; and

9. RELATED PARTY TRANSACTIONS (cont'd…)

e) paid property investigation fees of $nil (2010 - $10,554) to a corporation owned by 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 (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.

Concentration of credit risk

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

Fair value

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

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

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	2011		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 107,660	$ -	$ -

	2010		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 131,537	$ -	$ -
Investment	$ -	$ -	$ 597,438

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

(Expressed in Canadian dollars)

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

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. 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 July 31, 2011, the Company had current assets of $137,953 (2010 - $169,698) to settle current liabilities of $331,276 (2010 - $858,289). All of the Company's financial liabilities are classified as current and may mature within the next fiscal period. (See also Subsequent Events note 16)

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 Company could accordingly be at risk for foreign currency fluctuations.

As at July 31, 2011, ZAR$ amounts were converted at a rate of ZAR$1 to $0.1422 Canadian dollars and the Company had the following financial instruments in ZAR$:

	CAD $ equivalent	ZAR $
Cash	$ 25,877	$ 181,976
Accounts receivable	3,791	26,660
Accounts payable and accrued liabilities	60,532	425,682

As at July 31, 2011, NZ$ amounts were converted at a rate of NZ$1 to $0.8370 Canadian dollars and the Company had the following financial instruments in NZ$:

	CAD $ equivalent	NZ $
Cash	$ 3,617	$ 4,321
Accounts payable and accrued liabilities	53,951	64,458

As at July 31, 2011, the Company also had accounts payable in Australian and Singapore dollars. The amounts are minimal and any risk due to foreign currency fluctuations is not significant.

(c) Price risk

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

(Expressed in Canadian dollars)

11. COMMITMENT

The Company has committed $17,706 to rent office space during 2012 ($16,344) and 2013 ($1,362).

12. INCOME TAXES

	2011	2010
Loss for the year, before income taxes	$ (1,598,773)	$ (1,293,730)
Expected income tax recovery	$ 436,998	$ 376,799
Non-taxable loss	-	(1,494)
Effect of change in tax rate	(35,969)	5,096
Difference in tax rates in other jurisdictions	390	(908)
Items deductible for tax purposes	13,982	30,567
Items not deductible for income tax purposes	255	(68,054)
Tax benefits not recognized	(415,656)	(342,006)
Total current income taxes	$ -	$ -
Future income tax provision	$ -	$ -

	2011	2010
Future income tax assets:		
Non-capital loss carryforwards	$ 1,248,326	$ 1,083,835
Share issuance costs	24,293	33,706
Cumulative exploration and development expenses	1,372,013	1,100,481
Investments	551,656	577,570
Capital loss carryforwards	3,076	-
Future income tax assets	3,199,364	2,795,592
Valuation allowance	(3,199,364)	(2,795,592)
Net Future income tax liabilities	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses for Canadian income tax purposes of approximately $4,728,890. These losses, if not utilized, will expire as follows:

2031	$ 594,100
2030	814,900
2029	381,600
2028	655,250
2027	719,450
2026	685,400
2015	508,290
2014	369,900
	$ 4,728,890

(Expressed in Canadian dollars)

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

Subject to certain restrictions, the Company also has available mineral resource related expenditure pools for Canadian income tax purposes totalling approximately $5,747,000 which may be deducted against future taxable income in Canada on a discretionary basis. The Company also has available mineral resource expenses that are related to the Company's exploration activities in South Africa of approximately $1,146,000, and non-capital losses of approximately $236,000 which may be deductible for South Africa tax purposes. 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 MGI, as follows:

	2011	2010
Cash	$ 1,622	$ 1,722
Non-cash working deficiency	(24,825)	(24,636)
Loss for the year	$ (1,296)	$ (12,138)
Cash flows used in operating activities	$ (109)	$ (11,708)

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:

	2011	2010
Resource properties		
South Africa	$ 1,147,809	$1,141,811
New Zealand	269,828	657,069
Equipment – New Zealand	4,341	6,201

15. 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.

16. SUBSEQUENT EVENTS

a) On September 29, 2011, the Company announced the issuance of 5,250,000 options to officers, directors and consultants of the Company exercisable at $0.12 for a period of five years from the grant date. In addition, the Company has committed to issue 100,000 options to a consultant.

b) On September 29, 2011, the Company announced a private placement for the issuance of up to 25,000,000 units at $0.10 per unit. Each unit consists of one common share and one warrant entitling the holder to purchase one additional common share of the Company for a period of one year at a price of $1.00 per share. As of November 21, 2011, $583,500 (less agent commission) has been received related to this private placement and 5,835,000 common shares, 5,835,000 warrants exercisable at $1.00 per share and 54,800 agent warrants exercisable at $0.10 per share have been issued.

c) On November 14, 2011, The Company entered into debt settlement agreements (subject to the approval of the TSX Venture Exchange) with companies controlled by or associated with a director and a former director of the Company for $148,098 by the issuance of an aggregate of 1,480,984 common shares of the Company at a deemed price of $0.10 per common share.