
SUPERIOR MINING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED
APRIL 30, 2012 AND 2011

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

UNAUDITED CONDENSED 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 condensed consolidated interim financial statements for the nine months ended April 30, 2012 and 2011.

SUPERIOR MINING INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	April 30, 2012	July 31, 2011 (note 18)	August 1, 2010 (note 18)
ASSETS			
Current assets			
Cash	\$ 107,652	\$ 107,660	\$ 131,537
Receivables (note 4)	13,029	14,749	25,835
Prepaid expenses	<u>22,865</u>	<u>15,544</u>	<u>12,326</u>
Total current assets	<u>143,546</u>	<u>137,953</u>	<u>169,698</u>
Non-current assets			
Exploration and evaluation assets (note 5)	1,533,121	1,417,637	1,798,880
Equipment (note 6)	-	4,341	6,201
Investments (note 7)	<u>-</u>	<u>-</u>	<u>597,438</u>
Total non-current assets	<u>1,533,121</u>	<u>1,421,978</u>	<u>2,402,519</u>
Total assets	<u>\$ 1,676,667</u>	<u>\$ 1,559,931</u>	<u>\$ 2,572,217</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities (note 8)	\$ 301,857	\$ 331,276	\$ 150,289
Loan payable (note 9)	<u>-</u>	<u>-</u>	<u>708,000</u>
Total current liabilities	<u>301,857</u>	<u>331,276</u>	<u>858,289</u>
Shareholders' equity			
Capital stock (note 10)	19,022,531	18,311,506	16,154,437
Reserves	1,215,074	778,685	2,020,922
Deficit	<u>(18,861,458)</u>	<u>(17,846,113)</u>	<u>(16,449,708)</u>
Capital and reserve attributable to shareholders of Superior Mining International Corporation	1,376,147	1,244,078	1,725,651
Non-controlling interest	<u>(1,337)</u>	<u>(15,423)</u>	<u>(11,723)</u>
Total shareholders' equity	<u>1,374,810</u>	<u>1,228,655</u>	<u>1,713,928</u>
Total liabilities and shareholders' equity	<u>\$ 1,676,667</u>	<u>\$ 1,559,931</u>	<u>\$ 2,572,217</u>

Nature and continuance of operations (note 1)

Commitments (note 14 and 19)

First time adoption of IFRS (note 18)

Approved on behalf of the Board of Directors and authorized for issue on June 22, 2012:

<u>“Cyrus Driver”</u> Cyrus Driver	Director	<u>“Brent Butler”</u> Brent Butler	Director
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SUPERIOR MINING INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011 <small>(note 18)</small>	Nine Months Ended April 30, 2012	Nine Months Ended April 30, 2011 <small>(note 18)</small>
EXPENSES				
Amortization	\$ -	\$ -	\$ 651	\$ -
Bank charges and interest	103	2,970	287	19,838
Consulting (note 12)	43,282	25,638	90,608	78,423
Filing and transfer agent fees	9,957	10,499	14,288	17,344
Foreign exchange loss (gain)	1,338	973	(52)	(762)
Write-off (recovery) of exploration and evaluation assets	(9,255)	-	209,425	-
Management fees (note 12)	17,000	25,500	68,000	76,500
Office, telephone and printing (note 12)	13,167	32,445	50,898	79,011
Professional fees (note 12)	34,263	36,509	129,034	96,902
Property investigation (note 12)	846	10,315	5,477	14,254
Stock-based compensation (note 10)	120,175	130,955	518,799	131,708
Travel	-	23,665	1,148	23,665
Investor relations	-	-	2,527	-
Loss before other items	<u>(230,876)</u>	<u>(299,469)</u>	<u>(1,091,090)</u>	<u>(536,883)</u>
OTHER ITEMS				
Interest income	10	7,168	40	7,509
Gain on sale of equipment	4,886	-	4,886	-
Gain on sale of investments	-	158,098	-	158,098
	4,896	165,266	4,926	165,607
Comprehensive loss for the period	<u>\$ (225,980)</u>	<u>\$ (134,203)</u>	<u>\$ (1,086,164)</u>	<u>\$ (371,276)</u>
Comprehensive loss attributable to:				
Shareholders of Superior Mining International Corporation	\$ (226,491)	\$ (140,854)	\$ (1,100,250)	\$ (376,703)
Non-controlling interests	<u>511</u>	<u>6,651</u>	<u>14,086</u>	<u>5,427</u>
	<u>\$ (225,980)</u>	<u>\$ (134,203)</u>	<u>\$ (1,086,164)</u>	<u>\$ (371,276)</u>
Basic and diluted loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average common shares outstanding for basic loss per share	<u>56,085,835</u>	<u>47,007,995</u>	<u>53,136,451</u>	<u>46,021,582</u>

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

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

	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011	Nine Months Ended April 30, 2012	Nine Months Ended April 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (225,980)	\$ (134,203)	\$ (1,086,164)	\$ (371,276)
Items not affecting cash:				
Foreign exchange	1,338	973	(52)	(762)
Amortization	-	-	651	-
Stock-based compensation	120,175	130,955	518,799	131,708
Write-off (recovery) of exploration and evaluation assets	(9,255)	-	209,425	-
Gain on sale of investments	-	(158,098)	-	(158,098)
Gain on sale of equipment	(4,886)	-	(4,886)	-
Changes in non-cash working capital items:				
Receivables	3,014	(2,981)	1,720	(1,171)
Prepaid expenses	9,065	(7,391)	(7,321)	(22,159)
Accounts payable and accrued liabilities	<u>54,734</u>	<u>(64,468)</u>	<u>111,148</u>	<u>12,220</u>
Net cash used in operating activities	<u>(51,795)</u>	<u>(235,213)</u>	<u>(256,680)</u>	<u>(409,538)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	-	749,938	-	752,737
Proceeds from sale of equipment	8,576	-	8,576	-
Exploration and evaluation expenditures	(17,829)	(178,117)	-	(404,992)
Repayment of investments	<u>-</u>	<u>2,799</u>	<u>(317,378)</u>	<u>2,799</u>
Net cash provided by (used in) investing activities	<u>(9,253)</u>	<u>574,620</u>	<u>(308,802)</u>	<u>350,544</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Amounts received for exercise of options	-	262,500	-	262,500
Issuance of shares for cash	-	-	583,500	396,000
Share issue costs	-	-	(18,078)	(13,498)
Loan repayment	<u>-</u>	<u>(708,000)</u>	<u>-</u>	<u>(708,000)</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>(445,500)</u>	<u>565,422</u>	<u>(62,998)</u>
Foreign exchange effect on cash	<u>(1,338)</u>	<u>(973)</u>	<u>52</u>	<u>762</u>
Change in cash for the period	(62,386)	(107,066)	(8)	(121,230)
Cash, beginning of period	<u>170,038</u>	<u>117,373</u>	<u>107,660</u>	<u>131,537</u>
Cash, end of period	<u>\$ 107,652</u>	<u>\$ 10,307</u>	<u>\$ 107,652</u>	<u>\$ 10,307</u>

Supplemental disclosure with respect to cash flows (note 11)

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	<u>Capital Stock</u>		<u>Reserves</u>			<u>Obligation to issue common shares</u>	<u>Deficit</u>	<u>Total</u>	<u>Non- controlling Interest</u>	<u>Total Equity</u>
	<u>Number</u>	<u>Amount</u>	<u>Options</u>	<u>Warrants</u>	<u>Total Reserves</u>					
Balance as at August 1, 2010	43,707,995	\$ 16,154,437	\$ 1,925,091	\$ 95,831	\$2,020,922	\$ -	\$ (16,449,708)	\$ 1,725,651	\$ (11,723)	\$ 1,713,928
Issued for:										
Private placement	3,300,000	396,000	-	-	-	-	-	396,000	-	396,000
Share issuance costs	-	(13,498)	-	-	-	-	-	(13,498)	-	(13,498)
Fair value of options exercised	-	503,389	(503,389)	-	(503,389)	-	-	-	-	-
Options exercised	-	-	-	-	-	262,500	-	262,500	-	262,500
Options expired	-	-	(250,630)	-	(250,630)	-	250,630	-	-	-
Agent's warrants expired	-	10,926	-	(10,926)	-	-	-	-	-	-
Stock-based compensation	-	-	131,708	-	131,708	-	-	131,708	-	131,708
Loss for the period	-	-	-	-	-	-	(365,849)	(365,849)	(5,427)	(371,276)
Balance as at April 30, 2011	47,007,995	\$ 17,051,25	\$ 1,302,780	\$ 84,905	\$1,387,685	\$ 262,500	\$ (16,564,927)	\$ 2,136,512	\$ (17,150)	\$ 2,119,362
Balance as at August 1, 2011	50,250,495	\$ 18,311,506	\$ 693,780	\$ 84,905	\$ 778,685	\$ -	\$ (17,846,113)	\$ 1,244,078	\$ (15,423)	\$ 1,228,655
Issued for:										
Private placement	5,835,000	583,500	-	-	-	-	-	583,500	-	583,500
Debt settlement	1,480,984	148,098	-	-	-	-	-	148,098	-	148,098
Share issuance costs – cash	-	(18,078)	-	-	-	-	-	(18,078)	-	(18,078)
Share issuance costs – warrants	-	(2,495)	-	2,495	2,495	-	-	-	-	-
Warrants expired	-	-	-	(84,905)	(84,905)	-	84,905	-	-	-
Stock-based compensation	-	-	518,799	-	518,799	-	-	518,799	-	518,799
Loss for the period	-	-	-	-	-	-	(1,100,250)	(1,100,250)	14,086	(1,086,164)
Balance as at April 30, 2012	57,566,479	\$ 19,022,531	\$ 1,212,579	\$ 2,495	\$1,215,074	\$ -	\$ (18,861,458)	\$ 1,376,147	\$ (1,337)	\$ 1,374,810

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

SUPERIOR MINING INTERNATIONAL CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian dollars)
FOR THE NINE MONTHS ENDED APRIL 30, 2012

1. NATURE AND CONTINUANCE OF OPERATIONS

Superior Mining International Corporation (the "Company") is a Canadian company incorporated in the Yukon Territory. The Company's head, registered and records office address is 1500 – 885 West Georgia Street, Vancouver, BC, Canada, V6C 3E8. The Company is primarily engaged in the acquisition, exploration and development of mineral properties.

The recoverability of the amounts comprising exploration and evaluation assets 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 condensed consolidated interim 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, 2012, the Company had an accumulated deficit of \$18,861,458 (July 31, 2011 - \$17,846,113; August 1, 2010 - \$16,449,708) a working capital deficiency of \$158,311 (July 31, 2011 - \$193,323; August 1, 2010 - \$688,591) and 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 exploration and evaluation assets, 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.

These condensed consolidated interim 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 FIRST TIME ADOPTION OF IFRS

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the parent company and subsidiaries.

These are the Company's third IFRS condensed consolidated interim financial statements for the nine month period ending April 30, 2012 covered by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ended July 31, 2012. Previously the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss or available for sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

SUPERIOR MINING INTERNATIONAL CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian dollars)
FOR THE NINE MONTHS ENDED APRIL 30, 2012

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year ending July 31, 2012 and have been applied consistently to all periods presented in these condensed interim consolidated financial statements and in preparing the opening IFRS balance sheet at August 1, 2010.

Basis of consolidation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These condensed consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The financial statements include the financial statements of the parent and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Superior Mining South Africa (Pty) Corporation	South Africa	100%	Mineral exploration
Owl Eye Trading 71 (Pty) Ltd.	South Africa	100%	Mineral exploration
Turquoise Moon Trading 403 Pty Ltd.	South Africa	87%	Mineral exploration
Middelvllei Gold & Investments (Pty) Ltd. ("MGI")	South Africa	50%	Mineral exploration
Westland Minerals Limited	New Zealand	100%	Mineral exploration
SUI (NZ) Limited	New Zealand	100%	Mineral exploration
Superior Mining Holding Pte. Ltd.	Singapore	100%	Holding company
Superior Mining (NZ) Management Limited.	New Zealand	100%	Mineral exploration

Use of judgments and estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

SUPERIOR MINING INTERNATIONAL CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
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FOR THE NINE MONTHS ENDED APRIL 30, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Use of judgments and estimates(cont'd...)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that the actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) the recoverability of receivables;
- ii) the carrying value and the recoverability of exploration and evaluation assets;
- iii) the inputs used in accounting for stock-based compensation expense;
- iv) the deferred income tax asset allowance; and
- v) the determination of functional currency.

Foreign currency translation

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the period-end exchange rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the statement of comprehensive loss/income.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

SUPERIOR MINING INTERNATIONAL CORPORATION
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(Unaudited)
(Expressed in Canadian dollars)
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial assets(cont'd...)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities- This category includes amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents as fair value through profit or loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities and due to a related party are classified as other financial liabilities.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the following annual rates:

Vehicle	30%
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Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

SUPERIOR MINING INTERNATIONAL CORPORATION
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(Unaudited)
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets (cont'd...)

Exploration and evaluation expenditures (cont'd...)

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Joint interests

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

Impairment

At the end of each reporting period, the Company’s assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive loss/income for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

SUPERIOR MINING INTERNATIONAL CORPORATION
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(Unaudited)
(Expressed in Canadian dollars)
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment (cont'd...)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss/income.

Provision for environmental rehabilitation

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses. As at April 30, 2012, there was no provision for environmental rehabilitation.

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 period ended January 31, 2012, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period.

Stock-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based compensation is transferred to accumulated losses (deficit). The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian dollars)
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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 Reserves.

Income taxes

Income tax on the statement of comprehensive loss/income for the periods presented comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss/income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow through shares whereby the premium paid for the flow through shares in excess of the market value of the shares without flow through features at the time of issue is credited to other liabilities and included in income at the same time the qualifying expenditures are made.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New standards not yet adopted

IFRS 9, *Financial Instruments*, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on August 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact on the Company upon implementation of the issued standard.

IFRS 11, *Joint Arrangements*, effective for the Company's annual reporting period beginning August 1, 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than on its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supercedes IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*. The Company is currently assessing the impact that these standards will have on the Company's financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*, effective for the Company's annual reporting period beginning August 1, 2013. This new standard provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and consolidated structured entities. The Company is currently assessing the impact that these standards will have on the Company's financial statements.

IFRS 13, *Fair Value Measurement*, effective for the Company's annual reporting period beginning August 1, 2013. This standard defines fair value and sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The Company is currently assessing the impact that these standards will have on the Company's financial statements.

4. RECEIVABLES

The Company's receivables arise from the following sources: Harmonized Sales Tax ("HST") receivable due from Canadian government taxation authorities, VAT receivable and income tax receivable from the South African government. These are broken down as follows:

	April 30, 2012	July 31, 2011	August 1, 2010
HST receivable	\$ 8,745	\$ 10,958	\$ 14,704
VAT receivable	292	187	7,554
Income taxes receivable	<u>3,992</u>	<u>3,604</u>	<u>3,577</u>
	<u>\$ 13,029</u>	<u>\$ 14,749</u>	<u>\$ 25,835</u>

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5. EXPLORATION AND EVALUATION ASSETS

	Mangalisa, South Africa	Victory North, New Zealand	Ross South, New Zealand	Collingwood, New Zealand	Total
Balance, July 31, 2011	\$ 1,147,809	\$ 28,973	\$ 70,155	\$ 170,700	\$ 1,417,637
Acquisition costs:					
Additions	7,890	-	-	-	7,890
Exploration expenditures:					
Geological and consulting	92,213	48,064	94,468	24,592	259,337
Office and miscellaneous	76	-	-	-	76
Travel	<u>4,066</u>	<u>21,110</u>	<u>18,297</u>	<u>14,133</u>	<u>57,606</u>
	<u>96,355</u>	<u>69,174</u>	<u>112,765</u>	<u>38,725</u>	<u>317,019</u>
Write-off	<u>-</u>	<u>-</u>	<u>-</u>	<u>(209,425)</u>	<u>(209,425)</u>
Balance, April 30, 2012	<u>\$ 1,252,054</u>	<u>\$ 98,147</u>	<u>\$ 182,920</u>	<u>\$ -</u>	<u>\$ 1,533,121</u>

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5. EXPLORATION AND EVALUATION ASSETS(cont'd...)

	Mangalisa, South Africa	Victory Gold, New Zealand	Victory North, New Zealand	Otama, New Zealand	Ross South, New Zealand	Collingwood, New Zealand	Kirwans, New Zealand	Total
Balance, August 1, 2010	\$ 1,141,811	\$ 572,642	\$ 12,624	\$ 57,654	\$ 14,149	\$ -	\$ -	\$ 1,798,880
Acquisition costs:								
Additions	-	-	-	-	-	111,380	-	111,380
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	-	1,860	-	-	-	-	-	1,860
Total exploration expenditures	<u>5,998</u>	<u>110,876</u>	<u>16,349</u>	<u>218,254</u>	<u>56,006</u>	<u>59,320</u>	<u>39,110</u>	<u>505,913</u>
Write-off	<u>-</u>	<u>(683,518)</u>	<u>-</u>	<u>(275,908)</u>	<u>-</u>	<u>-</u>	<u>(39,110)</u>	<u>(998,536)</u>
Balance, July 31, 2011	\$ 1,147,809	\$ -	\$ 28,973	\$ -	\$ 70,155	\$ 170,700	\$ -	\$ 1,417,637

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5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Mangalisa, 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 Riebeeckstad, 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\$9,879,000) on the development of TMT’s Mangalisa project, of which USD\$5,000,000 (CAD\$4,939,500) 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\$9,879,000), 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.

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 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.

Ross South, New Zealand

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 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, New Zealand

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

During the period ended April 30, 2012, the Company decided not to pursue further exploration on the property resulting in a write-off of \$209,425.

Victory, New Zealand

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”).

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5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Victory, New Zealand (cont'd...)

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 project 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 the year ended July 31, 2011, the Company terminated the agreement resulting in a write-off of \$683,518.

Otama, 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 write-off of \$275,908.

Kirwans, 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 write-off of \$39,110.

6. EQUIPMENT

	Vehicle
Cost	
Balance, August 1, 2010 and July 31, 2011	\$ 14,887
Disposal	(14,887)
Balance, April 30, 2012	-
Accumulated depreciation	
Balance, August 1, 2010	\$ 8,686
Depreciation for the year	1,860
Balance, July 31, 2011	10,546
Depreciation for the period	651
Disposal	(11,197)
Balance, April 30, 2012	\$ -
Carrying amounts	
As at August 1, 2010	\$ 6,201
As at July 31, 2011	\$ 4,341
As at April 30, 2012	\$ -

During the period ended April 30, 2012, the Company sold a vehicle for a total of \$8,576 in a net gain of \$4,886. The gain has been recognized in the profit and loss.

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7. INVESTMENTS

	April 30, 2012	July 31, 2011	August 1, 2010
MAV II notes	\$ -	\$ -	\$ 597,438

At August 1, 2010, investments consisted of Master Asset Vehicle II (“MAV II”) notes received in exchange for Canadian third-party asset backed commercial paper 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 of \$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 9) to its bank and recognized a gain on sale of investments of \$158,098.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payables and accrued liabilities for the Company are broken down as follows:

	April 30, 2012	July 31, 2011	August 1, 2010
Trade payables	\$ 261,857	\$ 271,276	\$ 90,289
Accrued liabilities	<u>40,000</u>	<u>60,000</u>	<u>60,000</u>
Total	\$ 301,857	\$ 331,276	\$ 150,289

All payables and accrued liabilities for the Company fall due within the next 12 months.

9. LOAN PAYABLE

	April 30, 2012	July 31, 2011	August 1, 2010
Non-revolving bridge loan	\$ -	\$ -	\$ 708,000

At August 1, 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 7).

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 7).

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10. CAPITAL STOCK AND RESERVES

a) Authorized share capital:

Unlimited common voting shares without par value.

b) Issued share capital:

During the period ended April 30, 2012, the Company:

- 1) completed a non-brokered private placement for \$583,500 by issuing 5,835,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one share purchase warrant exercisable at \$1.00 for a period of one year. In connection to the private placement, the Company:
 - i) paid cash share issuance costs of \$18,078; and
 - ii) issued 54,800 finder's warrants exercisable at \$0.10 with a fair value of \$2,495 using the Black-Scholes option pricing model assuming an expected life of 1 year, a risk-free interest rate of 0.91% and an expected volatility of 89.83%.
- 2) Issued 719,384 common shares at \$0.10 to reimburse a firm in which a director of the Company is a partner for \$71,938 of accounting services rendered in the ordinary course of business.
- 3) Issued 761,600 common shares at \$0.10 to reimburse a company controlled by a director of the Company for \$76,160 of management services rendered in the ordinary course of business.

During the period ended April 30, 2011, the Company, the Company 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.

c) 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 11,513,296 common shares). The options can be granted for a maximum term of five years and pricing and vesting are 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, August 1, 2010	6,635,000	\$ 0.21
Cancelled	(520,000)	(0.27)
Granted	2,090,000	0.22
Expired	(455,000)	(0.25)
Exercised	<u>(3,242,500)</u>	(0.18)
Balance, July 31, 2011	4,507,500	0.23
Granted	<u>5,250,000</u>	0.12
Balance, April 30, 2012	<u>9,757,500</u>	<u>\$ 0.17</u>
Number of options currently exercisable	<u>6,445,000</u>	<u>\$ 0.18</u>
Weighted average contractual life remaining in years		<u>3.45</u>

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10. CAPITAL STOCK AND RESERVES (cont'd...)

c) Stock options: (cont'd....)

During the period ended April 30, 2012, the Company:

- i) granted 5,250,000 stock options with a fair value of \$530,330 estimated using the Black-Scholes option pricing model. The options have various vesting dates. The weighted average fair value per option granted during the period was \$0.10; and
- ii) recorded a stock-based compensation expense of \$518,799 for options vested.

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

- 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.
- iii) recorded stock-based compensation expense of \$131,708 for options vested.

There were no stock options exercised during the period ended April 30, 2012.

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

	April 30, 2012	April 30, 2011
Risk-free interest rate	2.76%	2.76%
Expected life of options	4.25 years	5 years
Annualized volatility	135%	142%
Dividend rate	-	-

d) Warrants:

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

	Number of Warrants	Weighted Average Exercise Price
Balance, August 1, 2010	338,320	\$ 0.40
Expired	<u>(88,320)</u>	(0.25)
Balance, July 31, 2011	250,000	0.45
Granted	5,889,800	0.99
Expired	<u>(250,000)</u>	0.45
Balance, April 30, 2012	<u>5,889,800</u>	<u>0.99</u>

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10. CAPITAL STOCK AND RESERVES (cont'd...)

d) Warrants (cont'd....)

As at April 30, 2012, the following stock options and warrants were outstanding:

	Number of Stock options /Warrants	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
	5,250,000	0.12	September 29, 2016
	9,757,500		
Warrants	54,800	\$ 0.10	November 18, 2012
	5,835,000	1.00	November 18, 2012
	5,889,800		

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	April 30, 2012	July 31, 2011	August 1, 2010
Cash paid during the period for interest	\$ -	\$ 18,908	\$ 23,148
Cash paid during the period for income taxes	\$ -	\$ -	\$ -

During the period ended April 30, 2012, the Company had the following significant non-cash investing and financing activities:

- a) included in accounts payable \$40,898 (2011 - \$64,734) of exploration and evaluation expenditures; and
- b) amortization allocated to exploration and evaluation assets of \$Nil (2011 - \$1,395); and
- c) fair value of options exercised of \$Nil (2011 - \$503,389).

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12. RELATED PARTY TRANSACTIONS

Amounts paid to related parties are as follows:

Nine months ended April 30,	2012	2011
Management and admin. fees paid to a company owned by a director	\$ 71,000	\$ 86,560
Professional fees paid to a firm in which a director is a partner	67,994	45,550
Exploration & evaluation expenses paid to a company owned by the president	144,608	-
Consulting fees paid to a director of a subsidiary of the Company	29,326	34,282
Stock-based compensation (i)	<u>486,815</u>	<u>131,228</u>
	<u>\$ 799,743</u>	<u>\$ 297,620</u>

(i) Stock-based compensation is the fair value of options granted and vested to key management personnel.

The transactions with related parties 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 parties.

The amounts due to the related parties included in accounts payables are as follows:

	April 30, 2012	July 31, 2011	August 1, 2010
Due to a firm in which a director has an interest	\$ 70,664	\$ 66,256	\$ 33,072
Due to a company owned by a director	49,080	38,080	-
Due to a company owned by the president	<u>37,967</u>	<u>-</u>	<u>-</u>
	<u>\$ 57,711</u>	<u>\$ 104,336</u>	<u>\$ 33,072</u>

13. 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.

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

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:

	April 30, 2012		
	Level 1	Level 2	Level 3
Assets			
Cash	\$ 107,652	\$ -	\$ -

	July 31, 2011		
	Level 1	Level 2	Level 3
Assets			
Cash	\$ 107,660	\$ -	\$ -

	August 1, 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:

Credit risk

Credit risk is the risk of loss associated with a counter party’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 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, 2012, the Company had current assets of \$143,546 (July 31, 2011 - \$137,953; August 1, 2010 - \$169,698) to settle current liabilities of \$301,857 (July 31, 2011 - \$331,276; August 1, 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.

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

Market risk (cont'd...)

(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 New Zealand (NZ\$) and Australia (AUD\$). The Company could accordingly be at risk for foreign currency fluctuations.

As at April 30, 2012, NZ\$ amounts were converted at a rate of NZ\$1 to \$0.8080 Canadian dollars and the Company had the following financial instruments in NZ\$:

	CAD \$ equivalent	NZ \$
Accounts payable and accrued liabilities	\$ 35,732	\$ 44,223

As at April 30, 2012, AUD\$ amounts were converted at a rate of AUD\$1 to 1.0290 Canadian dollars and the Company had the following financial instruments in AUD\$:

	CAD \$ equivalent	AUD\$
Accounts payable and accrued liabilities	\$ 45,917	\$ 44,622

As at April 30, 2012, the Company also had cash, receivables and accounts payable in ZAR\$. 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.

14. COMMITMENT

The Company has committed to rent office space through to August 31, 2012 totalling \$1,362 per month.

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15. JOINT VENTURE OPERATIONS

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

	April 30, 2012	July 31, 2011	August 1, 2010
Cash	\$ 75	\$ 1,622	\$ 1,722
Non-cash working deficiency	(21,369)	(24,825)	(24,636)
Loss for the period/year	\$ (1,270)	\$ (1,296)	\$ (12,138)
Cash used in operating activities	\$ (1,270)	\$ (109)	\$ (11,708)

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:

	April 30, 2012	July 31, 2011	August 1, 2010
Resource properties			
South Africa	\$ 1,252,054	\$ 1,147,809	\$1,141,811
New Zealand	281,067	269,828	657,069
Equipment – New Zealand	-	4,341	6,201

17. 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, reserves 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.

18. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these consolidated financial statements are for the period covered by the Company's first interim condensed consolidated financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the condensed consolidated financial statements for the periods ended April 30, 2012 and 2011, the consolidated financial statements for the year ended July 31, 2011 and the opening IFRS statement of financial position on August 1, 2010, the "Transition Date".

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18. FIRST TIME ADOPTION OF IFRS (cont'd...)

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended April 30, 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- a) to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;
- b) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and

IFRS requires each tranche of a share-based award with different vesting dates to be considered a separate grant for purpose of fair value calculation, and the resulting fair value is amortized over the vesting period of the respective tranches. Furthermore, forfeiture estimates are recognized in the period they are estimated.

Under Canadian GAAP, the fair value of share-based awards with graded vesting was calculated as one single grant and the resulting fair value was recognized on a straight-line basis over the longest vesting period. Forfeitures of awards were only recognized in the period the forfeiture occurred.

As a result, the Company increased stock based compensation expense by \$58,498 for the year ended July 31, 2011.

- c) Reclassification of share-based reserve

The Company reclassified from equity reserves of \$275,409, \$514,520 and \$488,703 for August 1, 2010, April 30, 2011 and July 31, 2011 respectively to deficit/share capital for options/warrants expired.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of August 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

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18. FIRST TIME ADOPTION OF IFRS (cont'd...)

Reconciliation between Canadian GAAP and IFRS statements of financial position:

	As at August 1, 2010			As at April 30, 2011			As at July 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS									
Current									
Cash	\$ 131,537	\$ -	\$ 131,537	\$ 10,307	\$ -	\$ 10,307	\$107,660	\$ -	\$ 107,660
Receivables	25,835	-	25,835	27,006	-	27,006	14,749	-	14,749
Prepaid expenses	12,326	-	12,326	34,485	-	34,485	15,544	-	15,544
Total current assets	169,698	-	169,698	71,798	-	71,798	137,953	-	137,953
Non-current assets									
Exploration and evaluation assets	1,798,880	-	1,798,880	2,248,998	-	2,248,998	1,417,637	-	1,417,637
Equipment	6,201	-	6,201	4,806	-	4,806	4,341	-	4,341
Investments	597,438	-	597,438	-	-	-	-	-	-
Total non-current assets	2,402,519	-	2,402,519	2,253,804	-	2,253,804	1,421,978	-	1,421,978
Total assets	\$2,572,217	\$ -	\$ 2,572,217	\$ 2,325,602	\$ -	\$ 2,325,602	\$1,559,931	\$ -	\$ 1,559,931
LIABILITIES AND SHAREHOLDERS' EQUITY									
Current liabilities									
Accounts payable and accrued liabilities	\$ 150,289	\$ -	\$ 150,289	\$ 206,240	\$ -	\$ 206,240	\$ 331,276	\$ -	\$ 331,276
Loan payable	708,000	-	708,000	-	-	-	-	-	-
Total current liabilities	858,289	-	858,289	206,240	-	206,240	331,276	-	331,276
Shareholders' equity									
Capital stock	16,114,121	40,316	16,154,437	17,000,012	51,242	17,051,254	18,260,264	51,242	18,311,506
Reserves	2,296,331	(275,409)	2,020,922	1,902,205	(514,520)	1,387,685	1,267,388	(488,703)	778,685
Obligation to issue shares	-	-	-	262,500	-	262,500	-	-	-
Deficit	(16,684,801)	235,093	(16,449,708)	(17,028,205)	463,278	(16,564,927)	(18,283,574)	437,461	(17,846,113)
Capital and reserve attributable to Shareholders of Superior Mining International Corp.	1,725,651	-	1,725,651	2,136,512	-	2,136,512	1,244,078	-	1,244,078
Non-controlling interest	(11,723)	-	(11,723)	(17,150)	-	(17,150)	(15,423)	-	(15,423)
Total shareholders' equity	1,713,928	-	1,713,928	2,119,362	-	2,119,362	1,228,655	-	1,228,655
Total liabilities and shareholders' equity	\$2,572,217	\$ -	\$2,572,217	\$2,325,602	\$ -	\$ 2,325,602	\$1,559,931	\$ -	\$ 1,559,931

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18. FIRST TIME ADOPTION OF IFRS (cont'd...)

Reconciliation between Canadian GAAP and IFRS statements of comprehensive loss:

	Three months ended April 30, 2011			Nine months ended April 30, 2011			Year ended July 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES									
Bank charges and interest	\$ 2,970	\$ -	\$ 2,970	\$ 19,838	\$ -	\$ 19,838	\$ 19,930	\$ -	\$ 19,930
Consulting	25,638	-	25,638	78,423	-	78,423	98,977	-	98,977
Filing and transfer agent fees	10,499	-	10,499	17,344	-	17,344	18,629	-	18,629
Foreign exchange loss (gain)	973	-	973	(762)	-	(762)	4,984	-	4,984
Management fees	25,500	-	25,500	76,500	-	76,500	102,000	-	102,000
Office, telephone and printing	32,445	-	32,445	79,011	-	79,011	98,654	-	98,654
Professional fees	36,509	-	36,509	96,902	-	96,902	223,275	-	223,275
Property investigations	10,315	-	10,315	14,254	-	14,254	23,272	-	23,272
Stock-based compensation	108,510	22,445	130,955	109,263	22,445	131,708	155,348	58,498	213,846
Travel	23,665	-	23,665	23,665	-	23,665	24,467	-	24,467
Write-off of mineral property	-	-	-	-	-	-	998,536	-	998,536
	(277,024)	(22,495)	(299,469)	(514,438)	\$ (22,445)	(536,883)	(1,768,072)	(58,498)	(1,826,570)
OTHER ITEMS									
Interest income	7,168	-	7,168	7,509	-	7,509	7,501	-	7,501
Gain on sale of investments	158,098	-	158,098	158,098	-	158,098	158,098	-	158,098
	165,266	-	165,266	165,607	-	165,607	165,599	-	165,599
	-	-	-	-	-	-	-	-	-
Comprehensive loss for the period	\$ (111,758)	\$ (22,495)	\$ (134,203)	\$ (348,831)	\$ (22,445)	\$ (371,276)	\$ (1,602,473)	\$ (58,498)	\$ (1,660,971)
Comprehensive loss attributable to:									
Shareholders of Superior Mining International Corporation	\$ (118,409)	\$ (22,495)	\$ (140,854)	\$ (354,258)	\$ (22,445)	\$ (365,849)	\$ (1,598,773)	\$ (58,498)	\$ (1,657,271)
Non-controlling interest	6,651	-	6,651	5,427	-	(5,427)	(3,700)	-	(3,700)
Loss and comprehensive loss for the period	\$ (111,758)	\$ (22,495)	\$ (134,203)	\$ (348,831)	\$ (22,445)	\$ (371,276)	\$ (1,602,473)	\$ (58,498)	\$ (1,660,971)

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of cash flows for the period ended April 30, 2011 and the year ended July 31, 2011.

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19. SUBSEQUENT EVENT

On May 4, 2012, the Company entered into a Farm-In/Joint Venture Agreement with a private Australian Company Reinhold Resources Pty Ltd. on their Redcastle project located some 200km northeast of Kalgoorlie, Western Australia. Under the terms, the Company must spend AUD\$200,000 over a 24 month period to earn 51% interest.