SUPERIOR MINING INTERNATIONAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JULY 31, 2013 AND 2012

(Expressed in Canadian dollars)

CHARTERED ACCOUNTANTS
MacKay LLP

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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 statements of financial position as at July 31, 2013 and July 31, 2012, and the consolidated statements of comprehensive loss, changes in equity 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 International Financial Reporting Standards, 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, 2013 and July 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 26, 2013

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		July 31, 2013		July 31, 2012
ASSETS				
Current assets				
Cash	$	56,072	$	22,614
Receivables (note 4)		11,940		9,264
Prepaid expenses		2,242		15,519
Total current assets		70,254		47,397
Non-current assets				
Exploration and evaluation assets (note 5)		1,589,312		1,283,408
Total assets	$	1,659,566	$	1,330,805
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	$	706,080	$	311,401
Liability portion of convertible debentures (note 7)		214,056		-
Total current liabilities		920,136		311,401
Equity				
Capital stock (note 8)		19,022,531		19,022,531
Reserves (note 8)		361,912		949,296
Equity portion of convertible debentures (note 7)		4,664		-
Deficit		(18,674,070)		(18,957,310)
Capital and reserve attributable to shareholders of Superior Mining International Corporation		715,037		1,014,517
Non-controlling interest		24,393		4,887
Total equity		739,430		1,019,404
Total liabilities and equity	$	1,659,566	$	1,330,805

Nature and continuance of operations (note 1)
Commitments (note 5)

Approved and authorized for issue on November 26, 2013 on behalf of the Board of Directors:

"Cyrus Driver" Director	*"Brent Butler"* Director
Cyrus Driver	Brent Butler

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

For the year ended July 31,	2013	2012
EXPENSES		
Amortization	$ -	$ 651
Accretion of convertible debentures and accrued interest (note 7)	20,302	-
Bank charges and interest	291	347
Consulting (note 10)	98,678	112,312
Filing and transfer agent fees	15,094	15,924
Financing fees (note 7)	3,922	-
Foreign exchange gain	(14,903)	(4,196)
Investor relations	-	2,527
Management fees (note 10)	-	68,000
Office, telephone and printing	22,519	65,455
Professional fees (note 10)	144,130	166,381
Property investigation	-	5,496
Share-based payments (note 8 and 10)	87,779	548,094
Travel	109	1,148
Write-off of exploration and evaluation assets	-	493,653
Loss before other items	(377,921)	(1,475,792)
OTHER ITEMS		
Interest income	-	41
Gain on sale of equipment	-	4,886
Total other items	-	4,927
Loss before income taxes	(377,921)	(1,470,865)
INCOME TAXES		
Deferred income tax recovery (note 15)	1,582	-
Loss and comprehensive loss for the year	$ (376,339)	$ (1,470,865)
Comprehensive loss attributable to:		
Shareholders of Superior Mining International Corporation	$ (395,845)	$ (1,491,175)
Non-controlling interests	19,506	20,310
	$ (376,339)	$ (1,470,865)
Basic and diluted loss per common share	$ (0.01)	$ (0.03)
Weighted average common shares outstanding for basic loss per share	57,566,479	55,339,361

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

For the year ended July 31,	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (376,339)	$ (1,470,865)
Items not affecting cash:		
Unrealized foreign exchange	(2,117)	62
Amortization	-	651
Financing fees	3,922	-
Share-based payments	87,779	548,094
Write-off of exploration and evaluation assets	-	493,653
Accretion of convertible debentures and accrued interest	20,302	-
Deferred income tax recovery	(1,582)	-
Gain on sale of equipment	-	(4,886)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(2,676)	5,485
Decrease in prepaid expenses	13,277	25
Increase in accounts payable and accrued liabilities	179,479	99,620
Net cash used in operating activities	(77,955)	(328,161)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	-	8,576
Exploration and evaluation expenditures	(90,704)	(330,821)
Net cash used in investing activities	(90,704)	(322,245)
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible debentures	200,000	-
Issuance of shares for cash	-	583,500
Share issuance costs	-	(18,078)
Net cash provided by financing activities	200,000	565,422
Foreign exchange effect on cash	2,117	(62)
Change in cash for the year	33,458	(85,046)
Cash, beginning of year	22,614	107,660
Cash, end of year	$ 56,072	$ 22,614

Supplemental disclosure with respect to cash flows (note 9)

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Capital Stock		Reserves							
	Number	Amount	Options	Warrants	Total Reserves	Equity Portion of Convertible Debentures	Deficit	Total	Non-controlling Interest	Total Equity
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	-	-	-	-	-
Options forfeited	-	-	(295,073)	-	(295,073)	-	295,073	-	-	-
Warrants expired	-	-	-	(84,905)	(84,905)	-	84,905	-	-	-
Share-based payments	-	-	548,094	-	548,094	-	-	548,094	-	548,094
Loss for the year	-	-	-	-	-	-	(1,491,175)	(1,491,175)	20,310	(1,470,865)
Balance as at July 31, 2012	57,566,479	$ 19,022,531	$ 946,801	$ 2,495	$ 949,296	$ -	$ (18,957,310)	$ 1,014,517	$ 4,887	$ 1,019,404
Balance as at August 1, 2012	57,566,479	$ 19,022,531	$ 946,801	$ 2,495	$ 949,296	$ -	$ (18,957,310)	$ 1,014,517	$ 4,887	$ 1,019,404
Options expired	-	-	(323,454)	-	(323,454)	-	323,454	-	-	-
Options cancelled	-	-	(353,136)	-	(353,136)	-	353,136	-	-	-
Warrants expired	-	-	-	(2,495)	(2,495)	-	2,495	-	-	-
Share-based payments	-	-	87,779	-	87,779	-	-	87,779	-	87,779
Convertible debenture warrants	-	-	-	3,922	3,922	-	-	3,922	-	3,922
Equity portion of convertible debentures	-	-	-	-	-	4,664	-	4,664	-	4,664
Loss for the year	-	-	-	-	-	-	(395,845)	(395,845)	19,506	(376,339)
Balance as at July 31, 2013	57,566,479	$ 19,022,531	$ 357,990	$ 3,922	$ 361,912	$ 4,664	$ (18,674,070)	$ 715,037	$ 24,393	$ 739,430

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Superior Mining International Corporation (the "Company") is a Canadian company incorporated in the Yukon Territory. The Company's head, registered and records office address is 408 - 837 West Hastings Street, Vancouver, BC, Canada, V6C 3N6. 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 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, 2013, the Company had an accumulated deficit of $18,674,070 (2012 - $18,957,310); a working capital deficiency of $849,882 (2012 - $264,004) and has not generated revenues from operations. These circumstances lend substantial 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 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

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretation Committee ("IFRIC"). These consolidated financial statements have been prepared on the basis of IFRS standards that are effective for the Company's reporting year ended July 31, 2013.

Basis of consolidation and presentation

The consolidated 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 consolidated 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 consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

2. BASIS OF PRESENTATION (cont'd…)

Basis of consolidation and presentation (cont'd…)

The consolidated 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
Middelvlei 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

*Struck off and de-consolidated during the year ended July 31, 2013.

Significant accounting judgments and critical estimates

The preparation of these financial statements in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these financial statements.

<u>Significant accounting judgments</u>

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

i) Going concern risk assessment (Note 1);

ii) Determination of functional currency; and

iii) Recoverability of the carrying value of the Company's exploration and evaluation assets.

<u>Critical accounting estimates</u>

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

i) *Share-based payments* – The fair value of share-based payments is determined using a Black-Scholes Option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.

ii) *Convertible debentures* – Calculation of the value ascribed to the liability portion and equity portion of convertible debentures is complex and requires significant estimates, specifically with respect to determination of a market rate of interest (i.e., the cost of similar liability without a conversion option). The fair value of each component on initial recognition is highly sensitive to this rate and a significant change in this assumption might have a material impact on the consolidated financial statements.

2. BASIS OF PRESENTATION (cont'd…)

Significant accounting judgments and critical estimates (cont'd…)

Critical accounting estimates (cont'd…)

iii) *Deferred income taxes* - The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The functional currency for each of the Company's subsidiaries is the currency in which funds from financing activities are generated. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the period end date exchange rates.

The functional currency of Superior Mining International Corporation, the parent entity, is the Canadian dollar, which is also the presentation currency of our consolidated financial statements. The functional currency of the Company's foreign subsidiaries is also the Canadian dollar.

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 closing rate (exchange rate at the reporting date).

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 profit or loss.

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 statement of financial position at fair value with changes in fair value recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd...)

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 less any provision for impairment.

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 in other comprehensive income (loss). 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 accumulated other comprehensive income (loss) 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 and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its cash as *Fair value through profit or loss*. The Company's accounts payable and accrued liabilities and liability portion of convertible debentures are classified as *Other financial liabilities*.

Convertible debentures

Convertible debentures are classified separately into financial liability and equity components in accordance with the substance of the contractual agreement. At the date of issue, the fair value of the liability component is estimated using a discount rate that would have been applicable to non-convertible debt. This amount is recorded as a liability on an amortized cost basis until extinguished upon conversion of at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the face value of the convertible debenture as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

Pre-exploration costs

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

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 consolidated financial statements reflect only the Company's proportionate interest in such activities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 July 31, 2013, there was no material 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 year ended July 31, 2013 and 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 year.

Share-based payment

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 using the graded method. 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 issuance costs

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

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 for the periods presented comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss 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 reporting 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.

New accounting standards and amendments to existing standards

<u>New and amended standards adopted by the Company</u>

i) Amendments to IAS 12, *Income Taxes,* which removed some subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduced a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. There was no impact to the Company arising from the adoption of this standard.

ii) Amendments to IAS 1, *Presentation of Financial Statements* require items to be grouped in other comprehensive income based on whether those items are potentially reclassifiable to profit or loss subsequently. The application of these amendments has not had any material impact on current and prior periods disclosures but may affect disclosures for future transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting standards and amendments to existing standards (cont'd…)

New and amended standards adopted by the Company (cont'd…)

iii) Amendments to IFRS 7, *Financial Instruments: Disclosures,* that were issued by the IASB. The application of these amendments has not had any material impact on current and prior period's disclosure but may affect disclosure for future transactions or arrangements.

New or revised standards and amendments to existing standards not yet effective

The Company has not applied the following new or revised standards that have been issued but are not yet effective at July 31, 2013:

(i) Effective for annual periods beginning on or after January 1, 2013
- New standard IFRS 10, *Consolidated Financial Statements*
- New standard IFRS 11, *Joint Arrangements*
- New standard IFRS 12, *Disclosure of Interests in Other Entities*
- New standard IFRS 13, *Fair Value Measurement*
- Reissued IAS 27, *Separate Financial Statements*
- Reissued IAS 28, *Investments in Associates and Joint Ventures*

(ii) Effective for annual periods beginning on or after January 1, 2014
- Amendments to IAS 32, *Financial Instruments*: *Presentation*

(iii) Effective for annual periods beginning on or after January 1, 2015
- New standard IFRS 9, *Financial Instruments, Classification and Measurement*

The Company is currently assessing the impact that these standards will have on the Company's consolidated financial statements. The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

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:

	July 31, 2013	July 31, 2012
HST receivable	$ 8,663	$ 5,162
VAT receivable	19	285
Income taxes receivable	3,258	3,817
	$ 11,940	$ 9,264

5. EXPLORATION AND EVALUATION ASSETS

	Mangalisa, South Africa	Ross South, New Zealand	Red Castle, Australia	Total
Balance, August 1, 2012	$ 1,258,551	$ 10,065	$ 14,792	$ 1,283,408
Acquisition costs:				
Additions	-	-	-	-
Exploration expenditures:				
Geological and consulting	117,257	-	145,304	265,561
Office and miscellaneous	3,957	-	2,516	6,473
Travel	27,713	-	19,222	46,935
	148,927	-	167,042	315,969
Disposal	-	(10,065)	-	(10,065)
Balance, July 31, 2013	$ 1,407,478	$ -	$ 181,834	$ 1,589,312

	Mangalisa, South Africa	Victory North, New Zealand	Ross South, New Zealand	Collingwood, New Zealand	Red Castle, Australia	Total
Balance, August 1, 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	98,710	64,472	76,845	38,992	13,989	293,008
Office and miscellaneous	76	-	-	-	803	879
Travel	4,066	21,151	18,297	14,133	-	57,647
	102,852	85,623	95,142	53,125	14,792	351,534
Write-off	-	(114,596)	(155,232)	(223,825)	-	(493,653)
Balance, July 31, 2012	$ 1,258,551	$ -	$ 10,065	$ -	$ 14,792	$ 1,283,408

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 Riebeekstad, South Africa.

The Company executed an Earn-in Agreement on December 13, 2012 with Ibhubsei Capital ("Ibhubesi"), a private Company pursuant to which Ibhubesi can acquire up to a 67% interest in the Company's Mangalisa project by paying Superior two cash payments totaling US$2.5M and spending US$5M on exploration with-in a 24 month period. Subsequent to July 31, 2013, the agreement was terminated.

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

Redcastle, Australia

During the year ended July 31, 2012, the Company entered into a Heads of Agreement with Reinhold Resources Ltd. to earn-in a 51% interest in the Redcastle Project located in the Western Australia. The Company is committed to exploration expenditures of AUD$200,000 on the project before May 4, 2014.

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.

During the year ended July 31, 2012, the Company decided not to pursue further exploration on the property resulting in a write-off of $114,596.

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 the year ended July 31, 2012, the Company decided not to pursue further exploration resulting in a write-off of $155,232.

During the year ended July 31, 2013, the Company sold the property for $10,065 (received) plus a retained royalty interest.

The retained royalty interest is a sliding scale net smelter return ("NSR") royalty of 7% to 1% for a period of 3 years after commercial production. After the third anniversary, the NSR royalty becomes Nil.

Collingwood, New Zealand

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

During the year ended July 31, 2012, the Company decided not to pursue further exploration on the property resulting in a write-off of $223,825.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		July 31, 2013		July 31, 2012
Trade payables	$	248,500	$	106,182
Due to related parties (note 10)		430,040		160,219
Accrued liabilities		27,540		45,000
Total	$	706,080	$	311,401

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

7. CONVERTIBLE DEBENTURES

	July 31, 2013	July 31, 2012
Face value of convertible debentures	$ 200,000	$ -
Less: Equity portion of convertible debentures	(6,246)	-
Add: Accretion and coupon interest	20,302	-
Liability portion of convertible debentures	$ 214,056	$ -

During the year ended July 31, 2013, the Company issued convertible debentures for an aggregate principal amount of $200,000 of which $150,000 was received from directors of the Company (Note 10). The debentures bear interest of 12% per annum, payable upon maturity at November 28, 2013 and may be converted to common shares at anytime at a conversion of $0.10 per common share. Each $100 debentures included 1,000 share purchase warrants exercisable at $0.10 for a period of one year. These warrants were valued at $3,922 using the Black-Scholes option pricing model and recorded as financing fees in the statement of comprehensive loss and also in reserves (Note 8 d)).

The convertible debentures have been classified into its separate debenture liability and equity portions in the Company's consolidated financial statements by the fair value method using an effective interest of 16% when valuing the liability first. This resulted in an initial amount of $193,754 being allocated to the liability portion and $4,664 being allocated to the equity portion, net of deferred income tax recovery of $1,582. For the year ended July 31, 2013, total accretion expense and coupon interest related to the liability component of the convertible debenture is $20,302 (2012 - $Nil). The carrying value of the debenture will be accreted up to its face value over the term to maturity.

8. CAPITAL STOCK AND RESERVES

a) Authorized share capital:
Unlimited common voting shares without par value.

b) Issued share capital:

During the year ended July 31, 2013, the Company did not have any share activities.

During the year ended July 31, 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.

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.

8. CAPITAL STOCK AND RESERVES (cont'd…)

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 10,050,099 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, July 31, 2011	4,507,500	$ 0.23
Granted	5,250,000	0.12
Forfeited*	(2,770,000)	0.15
Balance, July 31, 2012	6,987,500	0.18
Granted	4,500,000	0.10
Expired	(1,450,000)	0.27
Cancelled	(2,257,500)	0.21
Balance, July 31, 2013	7,780,000	$ 0.11
Number of options exercisable	4,405,000	$ 0.11
Weighted average contractual life remaining in years	4.09	

*Forfeited upon the resignation of directors and employees

During the year ended July 31, 2013, the Company:

i) granted 4,500,000 stock options with a fair value of $58,824 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 $0.01; and

ii) recorded a share-based payment expense of $87,779 for options vested.

During the year ended July 31, 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 year was $0.10; and

ii) recorded a share-based payment expense of $548,094 for options vested.

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

For the year ended July 31,	2013	2012
Risk-free interest rate	1.27%	2.76%
Expected life of options	4.25 years	4.25 years
Annualized volatility	133%	135%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

8. CAPITAL STOCK AND RESERVES (cont'd…)

d) Warrants:

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

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2011	250,000	$ 0.45
Granted	5,889,800	0.99
Expired	(250,000)	0.45
Balance, July 31, 2012	5,889,800	0.99
Granted*	2,000,000	0.10
Expired	(5,889,800)	0.99
Balance, July 31, 2013	2,000,000	$ 0.10

* Granted for convertible debentures financing (Note 7) of which 1,500,000 were granted to directors of the Company (Note 10).

As at July 31, 2013, the following stock options and warrants were outstanding:

	Number of Stock options /Warrants	Exercise Price	Expiry Date
Stock options	100,000	$ 0.05	May 28, 2014
	3,180,000	0.12	September 29, 2016
	4,500,000	0.10	May 22, 2018
	7,780,000		
Warrants	2,000,000	$ 0.10	November 28, 2013

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended July 31,	2013	2012
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

During the year ended July 31, 2013, the Company had the following significant non-cash investing and financing activities:

a) included in accounts payable $277,170 (2012 - $61,970) of exploration and evaluation expenditures;

b) fair value of options expired of $676,590 (2012 - $Nil);

c) fair value of warrants issued for shares issuance costs of $Nil (2012 – $2,495);

d) fair value of warrants expired of $2,495 (2012 - $84,905);

e) fair value of options forfeited of $Nil (2012 - $295,073); and

f) shares issued for debt settlement of $Nil (2012 - $148,098).

10. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

For the year ended July 31,			2013		2012
Key Management:					
A director of a subsidiary of the Company	Consulting	$	64,717	$	53,468
Directors and officers	Share-based payments (i)		73,198		355,415
		$	137,915	$	408,883
Related Parties:					
A firm in which the CFO is a partner	Professional fees	$	82,250	$	83,844
A company owned by a director	Management/Administration		-		71,000
A company owned by the CEO	Exploration expenditures		144,000		144,000
		$	226,250	$	298,844

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

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

		July 31, 2013		July 31, 2012
Due to a firm in which the CFO is a partner (ii)	$	174,291	$	88,416
Due to a company owned by a director (ii)		11,000		11,000
Due to a director of a subsidiary of the Company		31,710		-
Due to a company owned by the CEO		213,039		60,803
	$	430,040	$	160,219

(ii) During the year ended July 31, 2013, the Company did not issue any shares to reimburse related parties. During the year ended July 31, 2012, the Company issued 719,384 and 761,600 common shares at $0.10 to reimburse a firm in which a director of the Company is a partner and a company controlled by a director of the Company for $71,938 of accounting services and $76,160 of management services respectively.

10. RELATED PARTY TRANSACTIONS (cont'd…)

During the year ended July 31, 2013, the Company received an aggregate amount of $150,000 from the directors of the Company for convertible debentures (Note 7) and issued 1,500,000 warrants as part of the debt agreement (Note 8 d)).

11. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and liability portion of convertible debentures. 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 statements of financial position 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 statements of financial position are summarized in levels of fair value hierarchy as follows:

	July 31, 2013		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 56,072	$ -	$ -

	July 31, 2012		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 22,614	$ -	$ -

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

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

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, 2013, the Company had current assets of $70,254 (July 31, 2012 - $47,397) to settle current liabilities of $920,136 (July 31, 2012 - $311,401). The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations. All of the Company's financial liabilities are classified as current and mature within the next fiscal period.

Market risk

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

(a) Interest rate risk

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

(b) Foreign currency risk

The Company has monetary assets and liabilities denominated in foreign currencies and non-monetary assets represented by mineral exploration interests in New Zealand (NZ$) and Australia (AUD$). The Company could accordingly be at risk for foreign currency fluctuations.

As at July 31, 2013, AUD$ amounts were converted at a rate of AUD$1 to 0.9216 Canadian dollars and the Company had the following financial instruments in AUD$:

	CAD $ equivalent	AUD$
Accounts payable and accrued liabilities	$ 85,170	$ 92,415

As at July 31, 2013, the Company also had cash, receivables and accounts payable in ZAR$ and SGD$. 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.

12. JOINT VENTURE OPERATIONS

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

		July 31, 2013		July 31, 2012
Cash	$	2,282	$	32
Non-cash working deficiency		(19,750)		(20,497)
Loss for the year	$	(2,997)	$	(2,120)
Cash used in operating activities	$	(745)	$	(83)

13. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographic information is as follows:

		July 31, 2013		July 31, 2012
Exploration and evaluation assets				
South Africa	$	1,407,478	$	1,258,551
New Zealand		-		10,065
Australia		181,834		14,792

14. CAPITAL MANAGEMENT

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

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. capital stock, reserves, equity portion of convertible debentures and deficit).

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

15. INCOME TAXES

For the year ended July 31,		2013		2012
Loss before taxes for the year	$	(377,921)	$	(1,470,865)
Canadian federal and provincial income tax rates		25.00%		25.63%
Expected income tax recovery based on the above rates	$	(94,480)	$	(376,983)
Impact of change in tax rates		-		2,319
Impact of different foreign statutory tax rates		2,394		(183,235)
Items not deductible for tax purposes		22,102		139,855
Tax benefit not recognized		68,402		418,044
Deferred income tax recovery	$	(1,582)	$	-

15. INCOME TAXES (cont'd…)

The significant components of the Company's deferred income tax assets and liabilities, using a Canadian basic statutory rate of 25% and South African statutory tax rate of 28% are as follows:

	2013	2012
Non-capital loss carryforwards	$ 1,803,000	$ 1,501,000
Share issuance costs	6,000	15,000
Cumulative exploration and development expenses	1,085,000	1,156,000
Capital loss carryforwards	765,000	765,000
	3,659,000	3,437,000
Unrecognized deferred tax assets	(3,659,000)	(3,437,000)
Net deferred tax assets	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses for Canadian income tax purposes of approximately $6,946,560. These losses, if not utilized, will expire as follows:

2033	$ 750,160
2032	895,300
2031	1,107,900
2030	814,900
2029	439,990
2028	655,260
2027	719,460
2026	685,400
2015	508,290
2014	369,900
	$ 6,946,560

Future tax benefits, which may arise as a result of these losses, have not been recognized in these financial statements as it is not probable that the Company will generate future taxable income against which to utilize the temporary differences.