

**SUPERIOR MINING INTERNATIONAL CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**APRIL 30, 2009**

**SUPERIOR MINING INTERNATIONAL CORPORATION**

**UNAUDITED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the nine month period ended April 30, 2009.

**SUPERIOR MINING INTERNATIONAL CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	April 30, 2009	July 31, 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 218,327	\$ 1,839,228
Receivables	107,385	8,911
Prepaid expenses	<u>-</u>	<u>7,266</u>
	325,712	1,855,405
<b>Mineral properties</b> (Note 3)	1,388,276	358,089
<b>Equipment</b> (Note 4)	9,807	12,654
<b>Loan receivable</b> (Note 5)	90,000	90,000
<b>Investments</b> (Note 6)	<u>1,368,145</u>	<u>4,863,192</u>
	<u>\$ 3,181,940</u>	<u>\$ 7,179,340</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 34,310	\$ 116,739
Loan payable (Note 7)	<u>708,000</u>	<u>708,000</u>
	742,310	824,739
<b>Future income tax payable</b>	<u>-</u>	<u>9,076</u>
	<u>742,310</u>	<u>833,815</u>
<b>Non-controlling interest</b>	<u>(10,702)</u>	<u>-</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	15,000,493	15,000,493
Contributed surplus (Note 8)	1,966,551	1,877,673
Deficit	<u>(14,516,712)</u>	<u>(10,532,641)</u>
	<u>2,450,332</u>	<u>6,345,525</u>
	<u>\$ 3,181,940</u>	<u>\$ 7,179,340</u>

**Nature of operations and going concern** (Note 1)

**Commitment** (Note 12)

**Subsequent events** (Note 15)

**On behalf of the Board:**

"John Proust"

Director

"Cyrus Driver"

Director

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

**SUPERIOR MINING INTERNATIONAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
(Unaudited)

	Three Months Ended April 30, 2009	Three Months Ended April 30, 2008	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008
<b>EXPENSES</b>				
Administration	\$ 5,185	\$ 4,385	\$ 15,974	\$ 12,268
Amortization	949	487	2,847	487
Bank charges and interest	5,164	10,485	20,849	15,268
Consulting	10,598	44,580	82,978	195,224
Filing and transfer agent fees	8,280	7,345	13,639	22,152
Foreign exchange	(21,345)	(62,483)	(2,098)	(263,483)
Management fees	24,000	24,000	72,000	72,000
Office, telephone and printing	14,523	5,956	56,014	23,494
Professional fees	24,625	5,345	121,129	183,893
Property investigation	44,481	30,413	82,913	33,075
Stock-based compensation (Note 8)	11,508	148,250	88,878	458,228
Travel	64	2,080	12,642	3,490
<b>Loss before other items</b>	<u>(128,032)</u>	<u>(220,843)</u>	<u>(567,765)</u>	<u>(756,096)</u>
<b>OTHER ITEMS</b>				
Interest income	4,346	18,291	60,411	28,735
Unrealized loss on investment (Note 6)	<u>(106,781)</u>	<u>(2,547,149)</u>	<u>(3,495,048)</u>	<u>(12,194,129)</u>
	<u>(102,435)</u>	<u>(2,528,858)</u>	<u>(3,434,637)</u>	<u>(12,165,394)</u>
<b>Loss and comprehensive loss for the period before income tax and non-controlling interest</b>	(230,467)	(2,749,701)	(4,002,402)	(12,921,490)
<b>Non-controlling interest</b>	15,727	-	10,702	-
<b>Current income tax</b>	-	(5,293)	(1,447)	(5,293)
<b>Future income tax recovery</b>	<u>-</u>	<u>73,286</u>	<u>9,076</u>	<u>73,286</u>
<b>Loss and comprehensive loss for the period</b>	(214,740)	(2,681,708)	(3,984,071)	(12,853,497)
<b>Retained earnings (deficit), beginning of period</b>	(14,301,972)	(4,667,548)	(10,532,641)	6,222,105
<b>Impact from accounting changes relating to financial instruments</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(717,864)</u>
<b>Retained earning (deficit), end of period</b>	<u>\$ (14,516,712)</u>	<u>\$ (7,349,256)</u>	<u>\$ (14,516,712)</u>	<u>\$ (7,349,256)</u>
<b>Basic and diluted income (loss) per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.08)</u>	<u>\$ (0.11)</u>	<u>\$ (0.39)</u>
<b>Weighted average common shares outstanding basic earning (loss) per share</b>	<u>35,707,995</u>	<u>35,657,328</u>	<u>35,707,995</u>	<u>32,836,316</u>

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

**SUPERIOR MINING INTERNATIONAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three Months Ended April 30, 2009	Three Months Ended April 30, 2008	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss and comprehensive loss for the period	\$ (214,740)	\$ (2,681,708)	\$ (3,984,071)	\$(12,853,497)
Items not affecting cash				
Foreign exchange	-	(64,138)	-	(271,414)
Unrealized loss on investment	106,781	2,547,149	3,495,048	12,194,129
Amortization	949	487	2,847	487
Stock-based compensation	11,508	148,250	88,878	458,228
Future income tax recovery	-	(73,286)	(9,076)	(73,286)
Non-controlling interest	(15,727)	-	(10,702)	-
Net change in non-cash working capital	<u>(159,263)</u>	<u>(13,612)</u>	<u>(194,895)</u>	<u>(23,305)</u>
Net cash used in operating activities	<u>(270,492)</u>	<u>(136,858)</u>	<u>(611,971)</u>	<u>(568,658)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Mineral properties and deferred exploration costs	(235,833)	(137,793)	(1,008,930)	(137,793)
Acquisition of capital assets	<u>-</u>	<u>(13,005)</u>	<u>-</u>	<u>(13,005)</u>
Net cash used in investing activities	<u>(235,833)</u>	<u>(150,798)</u>	<u>(1,008,930)</u>	<u>(150,798)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of share for cash	-	48,000	-	1,968,000
Share issue costs	-	(758)	-	(147,462)
Subscriptions received in advance	-	-	-	-
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>708,000</u>
Net cash provided by financing activities	<u>-</u>	<u>47,242</u>	<u>-</u>	<u>2,528,538</u>
<b>Change in cash and cash equivalents for the period</b>	(506,325)	(240,414)	(1,620,901)	1,809,082
<b>Cash and cash equivalents, beginning of period</b>	<u>724,652</u>	<u>2,322,720</u>	<u>1,839,228</u>	<u>273,224</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 218,327</u>	<u>\$ 2,082,306</u>	<u>\$ 218,327</u>	<u>\$ 2,082,306</u>
<b>Cash and cash equivalents consist of:</b>				
Cash on hand	\$ 218,327	\$ 1,279,797	\$ 218,327	\$ 1,279,797
Term deposits	<u>-</u>	<u>802,509</u>	<u>-</u>	<u>802,509</u>
	<u>\$ 218,327</u>	<u>\$ 2,082,306</u>	<u>\$ 218,327</u>	<u>\$ 2,082,306</u>

**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**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
APRIL 30, 2009

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

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

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

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at April 30, 2009 the Company had an accumulated deficit of \$14,516,712 (July 31, 2008 - \$10,532,641). In addition, the Company has not generated significant revenues from operations. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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

Current market conditions make the present environment for raising additional equity financing unfavourable. An inability to raise additional financing may impact the future assessment of the Company as a going concern under CICA 1400 General Standards of Financial Statement Presentation. See Note 11 for further discussion regarding liquidity risk.

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

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Principles of consolidation**

These financial statements include the accounts of the Company, its wholly owned subsidiaries (Superior Mining South Africa (PTY) Corporation, Owl Eye Trading 71 (Pty) Ltd., Cinquarnis Diamonds (Pty) Ltd., its proportionate share of Middelvlei Gold & Investments (Pty) Ltd. and its 87% ownership of Turquoise Moon Trading 403 Pty. Ltd. All inter-company transactions are eliminated on consolidation.

**Change in accounting policies**

*Assessing going concern*

Effective August 1, 2008, the Company adopted CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of this section did not have an impact on the Company's financial results.

*Financial instruments*

Effective August 1, 2008, the Company adopted CICA Handbook Section 3862, *Financial Instruments – Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*.

Effective August 1, 2008, the Company adopted CICA Handbook Section 3863, *Financial Instruments – Presentation*, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The adoption of section 3862 and 3863 did not have an impact on the Company's financial results.

*Capital disclosures*

Effective August 1, 2008, the Company adopted CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. The adoption of this section did not have an impact on the Company's financial results.

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

**Change in accounting policies (cont'd...)**

*Goodwill and intangible assets*

Effective August 1, 2008, the Company adopted CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The adoption of this section did not have an impact on the Company's financial results.

**Recent accounting pronouncements**

*Business Combinations*

In January 2009, the AcSB released Section 1582, which replaces Section 1581 "Business Combinations". It provides the Canadian equivalent to IFRS 3 "Business Combinations". For the Company, this section applies prospectively to business combinations for which the acquisition is subsequent to August 1, 2011. Earlier application is permitted. Section 1582 must be applied together with Section 1601 and Section 1602 if it is implemented before August 1, 2011.

*Consolidated financial statements and Non-Controlling Interests*

In January 2009, the AcSB also released Section 1601 "Consolidated financial statements" and Section 1602 "Non-controlling interest", which replace Section 1600 "Consolidated Financial statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements of the parent, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of IAS 27, "Consolidated and Separate Financial Statements".

For the Company, these sections apply to interim and annual consolidated financial statements relating to the fiscal year beginning on or after August 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. These sections must be applied together with Section 1582 "Business Combinations" if they are implemented for a fiscal year beginning before August 1, 2011.

*International financial reporting standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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**3. MINERAL PROPERTIES**

April 30, 2009	Mangalisa Project, South Africa	Placer Gold Project, New Zealand	Ray Thomas Project, New Zealand	Total
Acquisition costs:				
Balance, beginning of period	\$ -	\$ 77,781	\$ 14,594	\$ 92,375
Additions	3,843	7,781	15,568	27,192
Balance, end of period	3,843	85,562	30,162	119,567
Exploration expenditures incurred during the period				
Drilling	598,471	-	-	598,471
Geological and consulting	361,801	4,149	5,623	371,573
Office and miscellaneous	30,772	-	-	30,772
Travel and accommodations	-	-	2,179	2,179
Balance, beginning of period	991,044	4,149	7,802	1,002,995
	-	119,788	145,926	265,714
Total deferred exploration	991,044	123,937	153,728	1,268,709
Balance, end of period	\$ 994,887	\$ 209,499	\$ 183,890	\$ 1,388,276

July 31, 2008	Placer Gold Project, New Zealand	Ray Thomas Project, New Zealand	Bothaville Gold Project, South Africa	Total
Acquisition costs:				
Balance, beginning of year	\$ -	\$ -	\$ 170,000	\$ 170,000
Additions	77,781	14,594	-	92,375
Written-off during the year	-	-	(170,000)	(170,000)
Balance, end of year	77,781	14,594	-	92,375
Exploration expenditures incurred during the year				
Geological and consulting	77,193	108,693	2,005	187,891
Legal and accounting	29,364	8,525	-	37,889
Office and miscellaneous	5,369	6,271	3,877	15,517
Travel and accommodations	7,117	21,692	7,761	36,570
Amortization (Note 4)	745	745	-	1,490
Written-off during the year	-	-	(79,697)	(79,697)
Balance, beginning of year	119,788	145,926	(66,054)	199,660
	-	-	66,054	66,054
Total deferred exploration	119,788	145,926	-	265,714
Balance, end of year	\$ 197,569	\$ 160,520	\$ -	\$ 358,089

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

**Mangalisa project, South Africa**

During the year ended July 31, 2008, the Company was granted a lease, giving it the right to explore in the eastern part of the Free State Goldfield in the village of Riebeekstad, South Africa.

**Ross Alluvial Goldfield, New Zealand**

*Placer gold project*

During the year ended July 31, 2008, the Company entered into an option agreement to acquire a 100% ownership in certain mineral permits of a mineral property located near Ross Township, New Zealand through the purchase of all of the shares of Placer Gold Resources ("Placer").

The Company can acquire a 100% ownership of Placer and its permits over a 36 month option period. The Company must conduct a minimum of \$500,000 of exploration and development work on the property within the first two years of the option period. If the measured and indicated mineral resource, defined under a pre-feasibility report, contains a minimum of 300,000 ounces of gold on the property, the Company will pay \$3,000,000 and \$10 for each additional ounce of gold. If the ounces of gold on the property are less than 300,000 ounces, the Company will pay a purchase price based on a formula of \$10 for each ounce of gold.

*Ray Thomas project*

During the year ended July 31, 2008, the Company entered into an option agreement to acquire a 100% ownership in certain mineral permits, licenses and applications to a mineral property located near Ross Township, New Zealand through the purchase of the shares of R & M Mining Limited ("R & M").

The Company can acquire 100% ownership of R & M and its permits and any other further permits by completing a feasibility report within five years. If the measured and indicated mineral resource defined in the feasibility report contains a minimum of one million ounces of gold on the property, the Company will pay \$5,500,000 AUD (approximately \$4,353,250 CAD) and \$5.00 AUD (approximately \$3.96 CAD) for each additional ounce of gold. If the ounces of gold on the property are less than one million ounces, the Company will pay a purchase price based on a formula of \$5.50 AUD (approximately \$4.35 CAD) for each ounce of gold.

**Bothaville gold project, South Africa**

During the year ended July 31, 2003, the Company entered into a proposed acquisition agreement ("Acquisition Agreement") to purchase all of the issued capital of Celina Overseas Limited ("Celina"). Celina has an option to purchase all of the issued capital of Owl Eye Trading 71 (Pty) Ltd. ("Owl Eye") from Alepro Inc. ("Owl Eye Acquisition"). During the year ended October 31, 2005, in accordance with the terms of the Acquisition Agreement, the Company issued 340,000 common shares valued at \$170,000 to Alepro Inc. Thus, Celina has satisfied its obligations under the Owl Eye Acquisition. During the year ended October 31, 2006, all of the issued shares for Owl Eye were transferred from Celina directly to the Company. Owl Eye holds a prospecting permit in the Bothaville District, Free State, South Africa, as well as option agreements with holders of mineral and prospecting rights in adjoining areas.

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

**Bothaville gold project, South Africa (cont'd...)**

During the year ended July 31, 2008, the Company abandoned the Bothaville gold project and wrote off its \$249,697 investment to operations.

**4. EQUIPMENT**

	Nine Month Period Ended April 30, 2009			Year Ended July 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Vehicle	\$ 14,887	\$ 5,080	\$ 9,807	\$ 14,887	\$ 2,233	\$ 12,654

**5. LOAN RECEIVABLE**

The loan receivable is due from an arms' length party. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. Accordingly, the fair value cannot be readily determined.

**6. INVESTMENTS**

	April 30, 2009	July 31, 2008
Shares in publicly traded company	\$ 507,945	\$ 4,002,992
Canadian Asset-Backed Commercial Paper	<u>860,200</u>	<u>860,200</u>
	\$ 1,368,145	\$ 4,863,192

During the year ended July 31, 2007 the Company acquired 7,210,000 shares representing approximately a 17.575% interest in Pamodzi Gold Limited a public company quoted on the Johannesburg Stock Exchange. At August 1, 2007 the Company recognized a \$717,864 decrease to retained earnings to reflect the opening fair value. At April 30, 2009, the share price was approximately ZAR 0.50 (July 31, 2008 – ZAR 4.00) per share, which represented a market value of \$507,945 (July 31, 2008 - \$4,002,992), resulting in an unrealized loss on investment, during the period ended April 30, 2009, of \$3,495,048 (2008 - \$9,646,980).

At April 30, 2009, the Company held Canadian Asset-Backed Commercial Paper (“ABCP”) with a par value of \$1,012,000 and an estimated fair value of \$860,200.

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**6. INVESTMENTS (cont'd...)**

The ABCP did not settle upon maturity as a result of liquidity issues in the ABCP market. There has been no active trading of the ABCP since mid-August 2007.

On March 17, 2008, the Pan-Canadian Investors Committee (the "Committee") for ABCP filed proceedings for a plan of compromise and arrangement (the "Plan") under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") with the Ontario Superior Court (the "Court"). At the meeting of ABCP noteholders on April 25, 2008, noteholders approved the Plan by the required majorities. On June 5, 2008, the Court issued a sanction order and reasons for the decision approving the Plan as amended. On August 18, 2008, that decision was upheld by the Ontario Court of Appeal and, on September 19, 2008, the Supreme Court of Canada denied leave to appeal. On December 24, 2008, the Committee announced that an agreement had been reached with all key stakeholders, including the governments of Canada, Quebec, Ontario and Alberta, to provide additional margin facilities to support the Plan and finalized certain enhancements to the Plan.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP.

The Company estimates the fair value of its ABCP by discounting expected future cash flows on a probability weighted basis considering the best available data at April 30, 2009. The assumptions used in determining the estimated fair value reflect the details included in the Information Statement issued by the Committee.

The assumptions used in the valuation model at April 30, 2009 include:

Weighted average interest rate 4.59%

Weighted average discount rate 6%

Maturity of notes of 7 years

If these assumptions were to change, the fair value of ABCP could change significantly.

The Ontario Superior Court issued the final implementation order in the ABCP restructuring process. The restructuring closed on January 21, 2009. The exchange of restructured ABCP notes was completed on January 21, 2009. A first installment of interest for \$34,710 (to August 31, 2008) was also paid on the same day. The balance of the interest is to be paid in subsequent installments, and the amounts and timing are still to be determined. Restructuring fees already incurred and a reserve for additional restructuring fees were deducted from this first interest payment.

Upon completion of the restructuring in January 2009 the Company received \$1,007,142 in new notes as follows:

- \$847,870 of senior Master Asset Vehicle MAV II Class A-1 Notes
- \$26,222 of Class C Notes
- \$133,050 of Class 13 Notes.

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**7. LOAN PAYABLE**

The demand non-revolving bridge loan bears interest at the HSBC Bank Prime Rate per annum, repayable on demand by the bank. Interest is payable monthly. The loan is secured by the Company's investment in ABCP (Note 6). The Company has paid \$20,673 in interest during the period ended April 30, 2009.

**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Share Amount	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued			
Balance, July 31, 2007	30,587,995	\$ 13,150,271	\$ 1,262,173
Private placement	4,920,000	1,968,000	-
Shares to a consultant	200,000	70,000	-
Stock-based compensation	-	-	575,184
Share issuance costs	-	(147,462)	-
Fair value of agent warrants	-	(40,316)	40,316
	<u>35,707,995</u>	<u>15,000,493</u>	<u>1,877,673</u>
Balance, July 31, 2008	35,707,995	15,000,493	1,877,673
Stock-based compensation	-	-	88,878
	<u>35,707,995</u>	<u>15,000,493</u>	<u>1,966,551</u>
Balance, April 30, 2009	35,707,995	\$ 15,000,493	\$ 1,966,551

During the year ended July 31, 2008, the Company:

- a) completed a private placement of 4,920,000 units of the Company at a price of \$0.40 per unit, with each unit being comprised of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to acquire an additional share of the Company at a purchase price of \$0.60 for a period of one year to December 28, 2008. Share issue costs of \$187,778 were incurred in connection with this private placement and included the issuance of 304,150 agent warrants to acquire 304,150 common shares valued at \$40,316. The agent warrants are exercisable at \$0.60 per share until December 28, 2008.
- b) issued 200,000 common shares valued at \$70,000 for mineral property finders fees.

**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. The options can be granted for a maximum term of five years and pricing and vesting as determined by the board of directors.

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**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options (cont'd...)**

During the period ended April 30, 2009, the Company granted 250,000 stock options resulting in stock-based compensation using the Black-Scholes option pricing model of \$24,220 of which \$17,155 was expensed in the current period, and the remaining \$7,065 will be expensed as the options become exercisable over the next year. The weighted average fair value of options granted was \$0.10. These amounts were also recorded as contributed surplus on the balance sheet.

During the period ended April 30, 2008, the Company granted 2,900,000 stock options resulting in stock-based compensation using the Black-Scholes option pricing model of \$646,907 of which \$64,640 (2008 - \$575,184) was expensed during the six months ended January 31, 2009, and the remaining \$7,082 will be expensed as the options become exercisable during the remainder of the current fiscal year. The weighted average fair value of options granted was \$0.22. These amounts were also recorded as contributed surplus on the balance sheet.

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

	April 30, 2009	April 30, 2008
Risk-free interest rate	4%	4.32 %
Expected life of options	5 years	5 years
Annualized volatility	115%	115 %
Dividend rate	0.00%	0.00 %

As at April 30, 2009, the following stock options were outstanding:

Number of Shares	Exercise Price	Expiry Date
1,455,000	\$ 0.25	May 10, 2011
1,600,000	0.34	July 26, 2011
2,800,000	0.27	August 24, 2012
160,000	0.20	September 4, 2013
90,000	0.20	November 13, 2013

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**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options (cont'd...)**

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

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2007	3,055,000	\$ 0.30
Options granted	<u>2,900,000</u>	0.27
Balance, July 31, 2008	5,955,000	0.28
Options cancelled	(100,000)	0.27
Options granted	<u>250,000</u>	0.20
Balance, April 30, 2009	<u>6,105,000</u>	\$ 0.28
Number of options currently exercisable	<u>5,965,000</u>	\$ 0.28

**Warrants**

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

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2007	-	\$ -
Warrants granted	<u>2,764,150</u>	0.60
Balance, July 31, 2008	2,764,150	0.60
Expired	<u>(2,764,150)</u>	0.60
Balance, April 30, 2009	<u>-</u>	\$ 0.60

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	Nine Month Period Ended April 30, 2009	Nine Month Period Ended April 30, 2008
Cash paid during the period for interest	\$ 20,673	\$ 13,849
Cash paid during the period for income taxes	\$ 1,447	\$ 5,293

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**10. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued accounting and administrative service fees of \$50,400 (2008 - \$77,605) to a partnership in which a director has an interest. As at April 30, 2009 an amount of \$12,000 (2008 - \$16,000) owing was included in accounts payable.
- b) Paid management fees of \$72,000 (2008 - \$72,000) to a corporation in which a director has an interest.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

**11. FINANCIAL INSTRUMENTS AND RISK**

The Company's financial instruments consist of cash and cash equivalents, receivables, loan receivable, long-term investments, accounts payable and accrued liabilities and loan payable. 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.

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 counterparty's inability to fulfill its payment obligations. At April 30, 2009, the Company had \$860,200 in Canadian Asset-Backed Commercial Paper and a \$90,000 loan receivable (Note 5). The Company is exposed to credit risk to the extent that the recoverability of the Asset-Backed Commercial Paper is unknown (Note 6).

*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, 2009, the Company had current assets of \$325,712 (July 31, 2008 - \$1,855,405) to settle current liabilities of \$742,310 (July 31, 2008 - \$824,739). All of the Company's financial liabilities are classified as current and could 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.

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

*Market risk (cont'd...)*

(b) Foreign currency risk

The Company has monetary assets and liabilities denominated in foreign currencies and non-monetary assets represented by mineral exploration interests in the Republic of South Africa and New Zealand. The Company could accordingly be at risk for foreign currency fluctuations and developing legal and political environments.

(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:

	2009
Cash	\$ 18,686
Non-cash working capital	134
Loan receivable	90,000
Long-term investment	507,945
Net investment in joint venture	<u>(2,336,113)</u>
Retained earnings, end of period	(1,719,348)
Less: retained earnings, beginning of period	<u>(1,784,924)</u>
Loss for period	<u>\$ (3,504,272)</u>
Cash flows from operating activities	<u>\$ (17,477)</u>
Cash flows from financing activities	<u>\$ -</u>
Cash flows from investing activities	<u>\$ -</u>

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**13. SEGMENTED INFORMATION**

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

Geographic information is as follows:

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	April 30, 2009	July 31, 2008
Mineral properties		
South Africa	\$ 994,887	\$ -
New Zealand	393,388	358,089

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**14. CAPITAL MANAGEMENT**

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

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

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.

**15. SUBSEQUENT EVENTS**

Subsequent to April 30, 2009, the Company:

- a) granted 250,000 stock options to a director exercisable into 250,000 common shares at \$0.08 per common share until May 7, 2014.
- b) granted 100,000 stock options to a consultant exercisable into 100,000 common shares at \$0.05 per common share until May 28, 2014.