

**SUPERIOR MINING INTERNATIONAL CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 AND 2019**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	October 31, 2020	July 31, 2020
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 346,369	\$ 339
Receivables	7,430	8,354
Prepaid (Note 9)	12,694	-
	<u>366,493</u>	<u>8,693</u>
<b>Exploration and evaluation assets (Note 5)</b>	<u>35,623</u>	<u>-</u>
	<u>\$ 402,116</u>	<u>\$ 8,693</u>
<b>LIABILITIES AND DEFICIENCY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 6 and 9)	\$ 203,882	\$ 270,866
Advance from directors (Note 9)	36,930	36,930
Loans payable (Note 10)	97,560	96,060
	<u>338,372</u>	<u>403,856</u>
<b>Deficiency</b>		
Capital stock (Note 7)	23,093,595	23,068,395
Subscription receivable (Note 7)	-	(500,000)
Contribution surplus (Note 7)	1,513,600	1,513,600
Deficit	<u>(24,543,451)</u>	<u>(24,477,158)</u>
<b>Total deficiency</b>	<u>63,744</u>	<u>(395,163)</u>
<b>Total liabilities and deficiency</b>	<u>\$ 402,116</u>	<u>\$ 8,693</u>

**Nature and continuance of operations (Note 1)**

**Subsequent event (Note 13)**

Approved and authorized for issue on December 28, 2020 on behalf of the Board of Directors:

<u>“Brent Butler”</u>	Director	<u>“Cyrus Driver”</u>	Director
Brent Butler		Cyrus Driver	

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

	Three months ended October 31,	
	2020	2019
<b>EXPENSES</b>		
Accretion of interest	\$ 1,500	\$ 2,176
Consulting	32,425	-
Filing and transfer agent fees	3,625	1,901
Foreign exchange gain	(2,829)	(4,044)
Management fees (Note 9)	19,313	-
Office & miscellaneous	346	255
Professional fees (Note 9)	11,913	16,448
<b>Loss and comprehensive loss for the period</b>	<b>\$ (66,293)</b>	<b>\$ (16,736)</b>
<b>Comprehensive loss attributable to:</b>		
Shareholders of Superior Mining International Corporation	\$ (66,293)	\$ (23,395)
Non-controlling interests	-	6,659
	<b>\$ (66,293)</b>	<b>\$ (16,736)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>52,941,326</b>	<b>52,941,326</b>

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

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

	Number of shares	Capital stock	Contributed Surplus	Subscriptions receivable	Deficit	Total	Non- controlling Interest	Total deficiency
<b>Balance as at July 31, 2019</b>	52,941,326	\$ 22,603,395	\$ -	\$ -	\$ (22,725,517)	\$ (122,122)	\$ (181,938)	\$ (304,060)
Loss for the period	-	-	-	-	(23,395)	(23,395)	6,659	(16,736)
<b>Balance as at October 31, 2019</b>	52,941,326	\$ 22,603,395	\$ -	\$ -	\$ (22,748,912)	\$ (145,517)	\$ (175,279)	\$ (320,796)
<b>Balance as at July 31, 2020</b>	55,441,326	\$ 23,068,395	\$ 1,513,600	\$ (500,000)	\$ (24,477,158)	\$ (395,163)	\$ -	\$ (395,163)
Subscriptions received	-	-	-	500,000	-	500,000	-	500,000
Reversal of share issuance costs	-	25,200	-	-	-	25,200	-	25,200
Loss for the period	-	-	-	-	(66,293)	(66,293)	-	(66,293)
<b>Balance as at October 31, 2020</b>	55,441,326	\$ 23,093,595	\$ 1,513,600	\$ -	\$ (24,543,451)	\$ 63,744	\$ -	\$ 63,744

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

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

	Three months ended October 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (66,293)	\$ (16,736)
Item not affecting cash:		
Accretion of convertible debentures and accrued interest	1,500	2,176
Changes in non-cash working capital items:		
Increase in receivables	924	577
Decrease (increase) in prepaid expenses	(12,694)	175
Increase (decrease) in accounts payable and accrued liabilities	(41,784)	5,600
Net cash used in operating activities	(118,347)	(8,208)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation asset expenditures	(35,623)	-
Net cash used in investing activities	(35,623)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance from directors	-	508
Subscriptions received	500,000	-
Net cash provided by financing activities	500,000	508
<b>Change in cash for the period</b>	<b>346,030</b>	<b>(7,700)</b>
<b>Cash, beginning of period</b>	<b>339</b>	<b>10,132</b>
<b>Cash, end of period</b>	<b>\$ 346,369</b>	<b>\$ 2,432</b>

Supplemental disclosure with respect to cash flows (Note 9)

## **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 Suite 510 – 580 Hornby Street, Vancouver, BC, Canada, V6C 3B6. The Company is primarily engaged in the acquisition, exploration and development of mineral properties.

These condensed interim 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 October 31, 2020, the Company had an accumulated deficit of \$24,543,451 (July 31, 2020 - \$24,477,158); a working capital of \$28,121 (July 31, 2020 – deficiency of \$395,163) 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, 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

These condensed interim 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 condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretation Committee ("IFRIC"). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2020, which have been prepared in accordance with IFRS.

### **Basis of consolidation and presentation**

The condensed interim 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 condensed interim 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 condensed interim 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...)**

During the year ended July 31, 2020, the Company sold Superior Mining South Africa (Pty) Corporation, Owl Eye Trading 71 (Pty) Ltd., Turquoise Moon Trading 403 Pty Ltd., Middelvlei Gold & Investment (Pty) Ltd. in consideration of \$10, which resulted in a loss of \$113,257 (Note 4).

**3. SIGNIFICANT ACCOUNTING POLICIES**

**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.

Significant Accounting Judgments

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); and
- ii) Determination of functional currency.

Critical accounting estimates

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) 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 (cont'd...)**

**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 in effect 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 profit or loss.

**Financial instruments**

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of income (loss) and comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of income (loss) and comprehensive income (loss) in the period in which they arise.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

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

**Financial instruments (cont'd...)**

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of income (loss) and comprehensive income (loss). Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

The Company classifies its financial liabilities into one of two categories 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.

*Financial liabilities at amortized cost* - This category consists of liabilities carried at amortized cost using the effective interest method. These financial liabilities are initially recognized at fair value less directly attributable transaction costs.

Impairment of financial assets

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets.

IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

The following table shows the original classification under IFRS 9:

<b>Financial Assets and Liabilities</b>	<b>New classification and measurement IFRS 9</b>
Cash	Fair value through profit and loss
Accounts payable and accrued liabilities	Amortized cost
Advance from directors	Amortized cost
Loans payable	Amortized cost

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

**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 or 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 re-measured.

**Exploration and evaluation assets**

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 profit or loss.

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.

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

**Interests in Joint Arrangements**

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which the Company has rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which the Company has rights to only the net assets of the arrangement.

Joint ventures are accounted for in accordance with the policy “Investments in Associates and Joint Ventures.” Joint operations are accounted for by recognizing the Company’s share of the assets, liabilities, revenue, expenses and cash flows of the joint operation in the consolidated financial statements.

**Investments in Associates and Joint Ventures**

Investments over which the Company exercises significant influence and which the Company does not control or jointly control are associates. Investments in associates are accounted for using the equity method, except when classified as held for sale. Investments in joint ventures as determined in accordance with the policy “Interests in Joint Arrangements” are also accounted for using the equity method.

The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the Company’s proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the associate’s or joint venture’s net assets such as dividends.

The Company’s proportionate share of the associate’s or joint venture’s profit or loss and other comprehensive income or loss is based on its most recent financial statements. Adjustments are made to align any inconsistencies between the Company’s accounting policies and the associate’s or joint venture’s policies before applying the equity method. Adjustments are also made to account for depreciable assets based on their fair values at the acquisition date of the investment and for any impairment losses recognized by the associate or joint venture.

If the Company’s share of the associate’s or joint venture’s losses equals or exceeds the investment in the associate or joint venture, recognition of further losses is discontinued. After interest is reduced to zero, additional losses will be provided for and a liability recognized only to the extent that the Company has incurred legal or constructive obligations to provide additional funding or make payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

At each reporting date, the Company considers whether there is objective evidence of impairment in associates and joint ventures, and records an impairment charge accordingly.

**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 October 31, 2020, there was no material provision for environmental rehabilitation.

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

**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 year. For the period ended October 31, 2020 and year ended July 31, 2020, this calculation proved to be anti-dilutive. Basic and diluted loss per share is calculated using the weighted-average number of common shares outstanding during the period.

**Share-based payments**

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 payment 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.

**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.

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

**Income taxes**

Income tax on the statement of loss and comprehensive loss for the years 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 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 nor 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.

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.

**Accounting standards and interpretations adopted**

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

On August 1, 2019, the Company adopted all of the requirements of IFRS 16 – Leases.

IFRS 16 Leases was issued by the IASB in January 2016 (effective January 1, 2019) and was adopted by the Company on August 1, 2019. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The adoption of this new accounting standard had no material impact on the Company's condensed interim consolidated financial statements for the current period.

**4. SALE OF SUBSIDIARIES**

Effective June 26, 2020, the Company sold all of the outstanding shares of its subsidiaries, Superior Mining South Africa (Pty) Corporation, Owl Eye Trading 71 (Pty) Ltd., Turquoise Moon Trading 403 Pty Ltd., Middelvlei Gold & Investment (Pty) Ltd. in consideration of \$10, which resulted in a loss of \$113,257.

**5. EXPLORATION AND EVALUATION ASSETS**

**Jumping Moose Property, Ontario, Canada**

Pursuant to a mineral property option agreement dated December 12, 2019 with a private company that is arm's length to the Company, the Company has been granted the option to acquire up to a 100% interest in the Jumping Moose Property in consideration of the following option payment:

*Cash payments*

- i) \$20,000 within 60 days of signing the agreement (paid).
- ii) \$15,000 on or before December 12, 2020 (subsequently paid).
- iii) \$20,000 on or before December 12, 2021.
- iv) \$40,000 on or before December 12, 2022.

*Share issuances*

- i) \$20,000 worth of common shares within 60 days of signing the agreement.
- ii) \$15,000 worth of common shares on or before December 12, 2020 (subsequently issued).
- iii) \$20,000 worth of common shares on or before December 12, 2021.
- iv) \$40,000 worth of common shares on or before December 12, 2022.
- v) \$40,000 worth of common shares on or before December 12, 2023.
- vi) \$40,000 worth of common shares on or before December 12, 2024.
- vii) \$40,000 worth of common shares on or before December 12, 2025.

*Exploration expenditures*

- i) incur exploration expenditures of \$100,000 on or before December 12, 2020.
- ii) incur exploration expenditures of \$200,000 on or before December 12, 2021.
- iii) incur exploration expenditures of \$400,000 on or before December 12, 2023.
- iv) incur exploration expenditures of \$2,000,000 on or before December 12, 2025.

A Net Smelter Return Royalty ("NSR") of 1.0% will be granted for any commercial production from any property encumbered by the pre-existing Swain and Decker agreement which consists of a 2% NSR. Additionally, a 2% NSR from any commercial production from any unencumbered property. In addition, the vendor will be entitled to receive \$1,000,000 in cash upon a NI 43-101 Inferred resource of at least 1,000,000 ounces of gold being confirmed on the property.

**SUPERIOR MINING INTERNATIONAL CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
OCTOBER 31, 2020 AND 2019

---

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

Period Ended	Jumping Moose	Total
October 31, 2020	Property	30-Oct-2020
<b>Acquisition Costs:</b>		
Balance, beginning of period	\$ -	\$ -
Cash	20,000	20,000
Balance, end of period	20,000	20,000
<b>Exploration Costs:</b>		
Balance, beginning of period	-	-
Assays	331	331
Geological consulting	15,292	15,292
Balance, end of period	15,623	15,623
Balance, end of period	\$ 35,623	\$ 35,623

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	October 31, 2020	July 31, 2020
Trade payables	\$ 117,132	\$ 137,866
Due to related parties (Note 10)	80,000	80,000
Accrued liabilities	6,750	53,000
Total	\$ 203,882	\$ 270,866

**SUPERIOR MINING INTERNATIONAL CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
OCTOBER 31, 2020 AND 2019

---

**7. CAPITAL STOCK**

a) Authorized share capital:

Unlimited common voting shares without par value.

b) Issued share capital:

During the year ended July 31, 2020, the Company closed a private placement of 2,500,000 units at a price of \$0.20 per unit for gross proceeds of \$500,000, which \$500,000 was recorded as subscriptions receivable and received during the period ended October 31, 2020. Each unit is comprised of one common share and one share purchase warrant of the Company. Each whole warrant will entitle the holder to acquire one additional common share of the Company exercisable at a price of \$0.30 per share until July 30, 2022. The Company paid share issuance costs of \$9,800, which was initially recorded at \$35,000 during the year ended July 31, 2020 and later resulted in a reversal of \$25,200 during the period ended October 31, 2020.

c) Stock options:

The Company has a rolling stock option plan (the “Plan”) that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company’s shares at the date of grant. Options granted under the Plan will have a term not to exceed ten years and be subject to vesting provisions as determined by the board of directors of the Company.

During the year ended July 31, 2020, the Company granted 5,294,132 stock options to directors, officers, and consultants. The options are valued at \$1,513,600 and exercisable at \$0.29 until May 15, 2025.

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

	Period Ended October 31, 2020		Year Ended July 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance and outstanding at beginning of period	5,294,132	\$ 0.29	-	\$ -
Granted	-	-	5,294,132	0.29
Balance and outstanding at end of period	5,294,132	\$ 0.29	5,294,132	\$ 0.29
Number of options exercisable	5,294,132	\$ 0.29	5,294,132	\$ 0.29

**SUPERIOR MINING INTERNATIONAL CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
OCTOBER 31, 2020 AND 2019

7. **CAPITAL STOCK** (cont'd...)

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

As at October 31, 2020, the following options were outstanding and exercisable:

<b>Number of Options</b>	<b>Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
5,294,132	5,294,132	\$0.29	May 15, 2025
5,294,132	5,294,132		

The fair value of stock options issued was calculated using the Black-Scholes Model for total of \$Nil (2019 - \$Nil) based on the following weighted average assumptions:

	Period ended October 31, 2020	Year ended July 31, 2020
Risk-free interest rate	-	0.36%
Expected life of options	-	5 years
Annualized volatility (based on historical prices)	-	219.12%
Dividend yield	-	-

d) Warrants:

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

	Period Ended October 31, 2020		Year Ended July 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance at beginning of period	2,500,000	\$ 0.30	-	\$ -
Granted	-	-	2,500,000	0.30
Balance at end of period	2,500,000	\$ 0.30	2,500,000	\$ -

**SUPERIOR MINING INTERNATIONAL CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
OCTOBER 31, 2020 AND 2019

**7. CAPITAL STOCK (cont'd...)**

As at October 31, 2020, the following warrants were outstanding:

<b>Number of Warrant</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
2,500,000	\$0.30	July 30, 2022
<b>2,500,000</b>		

**8. SUPPLEMENT DISCLOSURE WITH RESPECT TO CASH FLOWS**

	October 31, 2020	October 31, 2019
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
Reversal of share issuance costs	\$ 25,200	\$ -

**9. RELATED PARTY TRANSACTIONS**

Amounts paid or accrued to related parties are as follows:

	For the Period Ended October 31, 2020	For the Period Ended October 31, 2019
<b>Related Parties:</b>		
A company owned by the CFO Professional fees	\$ 10,000	\$ 10,000
A company owned by the CFO Management fees	\$ 6,000	\$ -
CEO and director Management fees	\$ 13,313	\$ -
	<b>\$ 29,313</b>	<b>\$ 10,000</b>

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

	October 31, 2020	July 31, 2020
Due to a company owned by the CFO	\$ 80,000	\$ 80,000
	<b>\$ 80,000</b>	<b>\$ 80,000</b>

**SUPERIOR MINING INTERNATIONAL CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
OCTOBER 31, 2020 AND 2019

**9. RELATED PARTY TRANSACTIONS (cont'd...)**

The amounts due from the related parties included in prepaid are as follows:

	October 31, 2020	July 31, 2020
CEO and director	\$ 9,400	\$ -
	<u>\$ 9,400</u>	<u>\$ -</u>

**Other related party transactions**

At October 31, 2020, the amount advanced from directors was \$36,930 (July 31, 2020 - \$36,930).

**10. LOANS PAYABLE**

	October 31, 2020	July 31, 2020
Loans payable, bearing an interest rate of 12% per annum, unsecured, due on demand	\$ 97,560	\$ 96,060
	<u>\$ 97,560</u>	<u>\$ 96,060</u>

**11. FINANCIAL INSTRUMENTS AND RISK**

**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:

	October 31, 2020			July 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Asset						
Cash	\$ 346,369	\$ -	\$ -	\$ 339	\$ -	\$ -

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

**Fair value (cont'd...)**

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

*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.

*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 October 31, 2020, the Company had current assets of \$366,493 (July 31, 2020– \$8,693) to settle current liabilities of \$338,372 (July 31, 2020– \$403,856). The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

*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 as the interest rates on the loans payable are fixed.

(b) Foreign currency risk

As at October 31, 2020, the Company had accounts payable in South African rand (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.

**12. 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 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 period.

**13. SUBSEQUENT EVENT**

Subsequent to October 31, 2020, the Company issued 731,722 common shares pursuant to acquisition of Jumping Moose Property.