

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Superior Mining International Corporation

Opinion

We have audited the consolidated financial statements of Superior Mining International Corporation ("the Group"), which comprise the consolidated statements of financial position as at July 31, 2021 and July 31, 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at July 31, 2021 and July 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
November 29, 2021**

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JULY 31,
(Expressed in Canadian Dollars)

	2021	2020
ASSETS		
Current		
Cash	\$ 130,192	\$ 339
Receivables	1,980	8,354
Prepays (Note 9)	23,805	-
	<u>\$ 155,977</u>	<u>\$ 8,693</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Notes 6 and 9)	\$ 130,335	\$ 270,866
Advance from directors (Note 9)	16,927	36,930
Loans payable (Note 10)	-	96,060
	<u>147,262</u>	<u>403,856</u>
Shareholders' equity (deficiency)		
Capital stock (Note 7)	23,573,843	23,068,395
Subscriptions receivable (Note 7)	-	(500,000)
Contributed surplus (Note 7)	1,513,600	1,513,600
Deficit	(25,078,728)	(24,477,158)
Total shareholders' equity (deficiency)	<u>8,715</u>	<u>(395,163)</u>
Total liabilities and shareholders' equity (deficiency)	<u>\$ 155,977</u>	<u>\$ 8,693</u>

Nature and continuance of operations (Note 1)

Approved and authorized for issue on November 29, 2021 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
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JULY 31,
(Expressed in Canadian Dollars)

	2021	2020
EXPENSES		
Accretion of interest (reversal)	\$ 2,005	\$ (5,301)
Consulting	51,769	25,000
Exploration	-	26,145
Regulatory and filing fees	14,799	14,962
Foreign exchange loss	3,854	-
Investor communications	359	974
Loss on debt settlement (Note 7)	253,648	-
Loss on sale of subsidiaries (Note 4)	-	113,257
Management fees (Note 9)	93,521	-
Office & miscellaneous	7,248	7,704
Travel and promotion	15,024	-
Professional fees (Note 9)	47,363	55,300
Share-based compensation (Notes 7 and 9)	-	1,513,600
Write-off of property (Note 5)	111,980	-
Loss and comprehensive loss for the year	\$ (601,570)	\$ (1,751,641)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding	55,926,357	52,948,175

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

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

	Number of shares	Capital stock	Contributed Surplus	Subscriptions receivable	Deficit	Total	Non- controlling Interest	Total equity (deficiency)
Balance as at July 31, 2019	52,941,326	\$ 22,603,395	\$ -	\$ -	\$ (22,725,517)	\$ (122,122)	\$ (181,938)	\$ (304,060)
Private placement	2,500,000	500,000	-	(500,000)	-	-	-	-
Share issuance costs	-	(35,000)	-	-	-	(35,000)	-	(35,000)
Share-based compensation	-	-	1,513,600	-	-	1,513,600	-	1,513,600
Loss for the year	-	-	-	-	(1,751,641)	(1,751,641)	181,938	(1,569,703)
Balance as at July 31, 2020	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
Shares for debt	635,186	444,630	-	-	-	444,630	-	444,630
Shares issued for exploration and evaluation assets	96,536	60,818	-	-	-	60,818	-	60,818
Loss for the year	-	-	-	-	(601,570)	(601,570)	-	(601,570)
Balance as at July 31, 2021	56,173,048	\$ 23,573,843	\$ 1,513,600	\$ -	\$ (25,078,728)	\$ 8,715	\$ -	\$ 8,715

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

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31,
(Expressed in Canadian Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (601,570)	\$ (1,751,641)
Item not affecting cash:		
Accrued interest	2,005	(5,301)
Foreign exchange loss	3,854	-
Loss on sale of subsidiaries	-	113,257
Loss on debt settlement	253,648	-
Share-based compensation	-	1,513,600
Write-off of property	111,980	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	6,374	(6,765)
Decrease (increase) in prepaids	(23,805)	175
Increase (decrease) in accounts payable and accrued liabilities	(49,385)	114,808
Net cash used in operating activities	(296,899)	(21,867)
CASH FLOWS FROM INVESTING ACTIVITY		
Exploration and evaluation asset expenditures	(51,162)	-
Net cash used in investing activity	(51,162)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from directors	12,914	12,074
Share issue costs	(35,000)	-
Subscriptions received	500,000	-
Net cash provided by financing activities	477,914	12,074
Change in cash for the year	129,853	(9,793)
Cash, beginning of year	339	10,132
Cash, end of year	\$ 130,192	\$ 339

Supplemental disclosure with respect to cash flows (Note 8)

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 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, 2021, the Company had an accumulated deficit of \$25,078,728 (2020 - \$24,477,158); a working capital of \$8,715 (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 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, 2021.

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...)

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 consolidated 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.

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.

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

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.

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.

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

Financial instruments (cont'd...)

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:

Financial Assets and Liabilities	New classification and measurement IFRS 9
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Advance from directors	Amortized cost
Loans payable	Amortized cost

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.

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

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

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.

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, 2021, 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 year. For the year ended July 31, 2021 and 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.

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

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.

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.

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 (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 (issued).
- ii) \$15,000 worth of common shares on or before December 12, 2020 (issued at a value of \$60,818).
- iii) \$20,000 worth of common shares on or before December 12, 2021 (issued).
- 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 (\$16,162 incurred).
- 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, 2022.
- 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.

During the year ended July 31, 2021, the Company wrote-off \$111,980 of the carrying value of the Jumping Moose Property to \$Nil as management has decided that further work is not warranted on the property.

SUPERIOR MINING INTERNATIONAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
JULY 31, 2021 AND 2020

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

Year Ended July 31, 2021	Jumping Moose Property	Total
Acquisition Costs:		
Balance, beginning of year	\$ -	\$ -
Cash	35,000	35,000
Shares	60,818	60,818
Write-down	(95,818)	(95,818)
Balance, end of year	-	-
Exploration Costs:		
Balance, beginning of year	-	-
Assays	331	331
Field work	539	539
Geological consulting	15,292	15,292
Write-down	(16,162)	(16,162)
Balance, end of year	-	-
Balance, end of year	\$ -	\$ -

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	July 31, 2021	July 31, 2020
Trade payables	\$ 102,335	\$ 137,866
Due to related parties (Note 9)	10,000	80,000
Accrued liabilities	18,000	53,000
Total	\$ 130,335	\$ 270,866

7. CAPITAL STOCK

a) Authorized share capital:

Unlimited common voting shares without par value.

b) Issued share capital:

During the year ended July 31, 2021, the Company:

- i) entered into agreements to settle some of accounts payable and accrued liabilities, advance from directors, and loans payable of the Company for an aggregate total of \$190,982 through conversion of such debt into common shares of the Company. Pursuant to the shares for debt transactions, the Company issued 635,186 common shares at a price of \$0.70 per common shares resulting in a loss of \$253,648 on the settlement of debt.
- ii) issued 96,536 common shares at a value of \$60,818 pursuant to acquisition of Jumping Moose Property (Note 5).

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 year ended July 31, 2021. 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 accrued share issuance costs of \$35,000 at July 31, 2020 which was paid during the year ended July 31, 2021.

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.

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

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

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

	Year Ended July 31, 2021		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 year	5,294,132	\$ 0.29	-	\$ -
Granted	-	-	5,294,132	0.29
Balance and outstanding at end of year	5,294,132	\$ 0.29	5,294,132	\$ 0.29
Number of options exercisable	5,294,132	\$ 0.29	5,294,132	\$ 0.29

As at July 31, 2021, the following options were outstanding and exercisable:

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

The fair value of stock options issued was calculated using the Black-Scholes Model for total of \$Nil (2020 - \$1,513,600) based on the following weighted average assumptions:

	Year ended July 31, 2021	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	-	-

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

d) Warrants:

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

	Year Ended July 31, 2021		Year Ended July 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance at beginning of year	2,500,000	\$ 0.30	-	\$ -
Granted	-	-	2,500,000	0.30
Balance at end of year	2,500,000	\$ 0.30	2,500,000	\$ 0.30

As at July 31, 2021, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,500,000	\$0.30	July 30, 2022

8. SUPPLEMENT DISCLOSURE WITH RESPECT TO CASH FLOWS

	July 31, 2021	July 31, 2020
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
Shares issued related to property acquisition	\$ 60,818	\$ -
Shares for debt settlement	\$ 444,630	\$ -
Subscriptions receivable	\$ -	\$ 500,000
Shares issuance costs in accounts payable and accrued liabilities	\$ -	\$ 35,000

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9. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

		For the Year Ended July 31, 2021	For the Year Ended July 31, 2020
Related Parties:			
A company owned by the CFO	Professional fees	\$ 34,200	\$ 42,700
A company owned by the CFO	Management fees	\$ 30,000	\$ -
Director	Management fees	\$ 63,521	\$ -
CFO and director	Share-based compensation	\$ -	\$ 214,426
CEO and director	Share-based compensation	\$ -	\$ 114,361
Director	Share-based compensation	\$ -	\$ 298,519
		\$ 127,721	\$ 670,006

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

	July 31, 2021	July 31, 2020
Due to a company owned by the CFO	\$ 10,000	\$ 80,000

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

	July 31, 2021	July 31, 2020
CFO and director	\$ 18,688	\$ -

Other related party transactions

At July 31, 2021, the amount advanced from directors was \$16,927 (2020 - \$36,930).

The amounts due to related parties and the amount advanced from directors are unsecured, with no repayment terms, and without interest.

10. LOANS PAYABLE

	July 31, 2021	July 31, 2020
Loans payable, bearing an interest rate of 12% per annum, unsecured, due on demand	\$ -	\$ 96,060

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:

	July 31, 2021			July 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Asset						
Cash	\$ 130,192	\$ -	\$ -	\$ 339	\$ -	\$ -

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 cash. The maximum potential loss on these financial instruments is equal to the carrying amounts of these items.

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, 2021, the Company had current assets of \$155,977 (2020 – \$8,693) to settle current liabilities of \$147,262 (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.

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

Fair value (cont'd...)

(b) Foreign currency risk

As at July 31, 2021, 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, contributed surplus and deficit).

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

13. INCOME TAXES

For the years ended July 31,	2021	2020
Loss before taxes for the year	\$ (601,570)	\$ (1,751,641)
Canadian federal and provincial income tax rates	27.00%	27.00%
Expected income tax recovery based on the above rates	\$ (162,424)	\$ (472,943)
Permanent difference	34,242	(244,375)
Change in unrecognized tax benefits	128,182	717,318
Deferred income tax recovery	\$ -	\$ -

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

The significant components of the Company's deferred income tax assets and liabilities, using a Canadian basic statutory rate of 27%:

	2021	2020
Non-capital loss carryforwards	\$ 3,059,000	\$ 2,932,000
Cumulative exploration and development expenses	513,000	542,000
Capital loss carryforwards	820,000	786,000
Share issue costs	6,000	9,000
	4,398,000	4,269,000
Unrecognized deferred tax assets	(4,398,000)	(4,269,000)
Net deferred tax assets	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses for Canadian income tax purposes of approximately \$11,328,000. These losses, if not utilized, will expire as follows:

2041	\$ 444,000
2040	355,000
2039	1,872,000
2038	542,000
2037	594,000
2036	429,000
2035	480,000
2034	614,000
2033	684,000
2032	895,000
2031	1,108,000
2030	815,000
2029	440,000
2028	655,000
2027	719,000
2026	682,000
	<u>\$ 11,328,000</u>

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