

# SUPERIOR MINING INTERNATIONAL CORPORATION

## FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS PERIOD ENDED OCTOBER 31, 2007

The following discussion and analysis, prepared as of December 17, 2007, should be read together with the unaudited consolidated financial statements for the three month period ended October 31, 2007 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements and the Management Discussion and Analysis for the year ended July 31, 2007 and 2006 and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

The Company is a Canadian company incorporated in the Yukon Territory and trades on the TSX Venture Exchange under the symbol SUI. On May 10, 2006, the Company changed its name to Superior Mining International Corporation from Superior Mining Corporation and consolidated its outstanding shares on a basis of five existing shares to one new share. The Company is primarily engaged in the acquisition and exploration of mineral properties in South Africa and New Zealand. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

### **Mineral Properties**

*Middelvlei Gold Investments (Pty) Ltd. (formerly Pamodzi Gold (Pty) Ltd.), South Africa*

During the year ended July 31, 2007, Pamodzi Gold (Pty) Ltd. ("PGI") changed its name to Middelvlei Gold & Investments (Pty) Ltd. ("MGI").

During the year ended July 31, 2006, the Company received final acceptance from the TSX Venture Exchange of its previously announced "Shareholders' Agreement" and "Subscription Agreement", dated June 3, 2005, as amended by the "Variation Agreement" dated July 21, 2005 (collectively, the "Shareholders' Agreement"), with each of Pamodzi Resources and MGI, pursuant to which the Company acquired 50% of the issued and outstanding shares of MGI in consideration of advancing to MGI, by way of shareholder's loan, an aggregate of ZAR 15,816,040 (approx. Cdn. \$2,730,000) (the "Shareholder's Loan"), and interest of ZAR 858,341 (approx. Cdn. \$136,000).

The Company became a joint venture partner with Pamodzi Resources through MGI upon the advancement of \$2,730,000 of its Shareholder's Loan. The purpose of the joint venture is to develop various gold property interests in the Witwatersrand basin of South Africa and such other property interests which Pamodzi Resources is in the process of negotiating to acquire through MGI.

Subsequent to July 31, 2006 it was brought to the attention of the Company that certain conditions precedent in the original Pamodzi contract had not been met until July 31, 2006. Management had previously understood that all conditions had been fulfilled as at August 31, 2005 and had reflected the acquisition effective August 31, 2005. The Company has revised its 2006 year end statements to reflect the MGI acquisition using a July 31, 2006 effective date for the July 31, 2006 year end. The impact to previously reported net loss to July 31, 2006 was a reduction of loss by \$129,791. There is minimal impact to the balance sheet as the Company is now picking up their 50% interest in the jointly controlled enterprise.

**SUPERIOR MINING INTERNATIONAL CORPORATION**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
PERIOD ENDED OCTOBER 31, 2007**

**Mineral Properties (cont'd...)**

*Middelvlei Gold Investments (Pty) Ltd. (formerly Pamodzi Gold (Pty) Ltd.), South Africa (cont'd...)*

Pursuant to the second variation agreement the Company agreed to reduce its interest in MGI to 50% less one share and as a result Pamodzi Resources increased its interest in MGI to 50% plus one share. MGI has invested in a new company called Pamodzi Gold Limited. The Company, through its 50% less one share interest of MGI owned 17.575% of Pamodzi Gold Limited on the transaction date, diluted to 16.7% as of November 19, 2007. Pamodzi Gold Limited is listed on the Johannesburg Stock Exchange ("JSE").

During the year ended July 31, 2007, MGI used the Middelvlei JV Project, which property updates were included in previous MD&A's, as part of the consideration for its investment in Pamodzi Gold Limited.

*Witwatersrand Basin, South Africa*

In October 2007, the Company was granted the right to explore for Witwaterstrand Basin-hosted gold mineralization in the eastern part of the Free State Goldfield. Free State Goldfield is one of the six major goldfields of Witwatersrand Basin in South Africa. The Witwatersrand Basin contains a near continuous rim of mines over a distance of 300 km with historical production of 1.5 billion ounces of gold since 1887. It is by far the largest extent of gold mineralization of any coherent geological entity so far discovered in the world.

The granted lease, which covers an area of approximately 180km<sup>2</sup>, is located to the east of the village of Riebeeckstad which is a few kilometers from the well established mining town of Welkom.

The exploration license is underlain by Central Rand Group rocks which host the gold bearing quartz pebble placer reefs of the Witwaterstrand Basin.

Established mines of the Free State goldfield are located to the south of Superior's property as well as a few kilometers to the west on the western side of the De Bron structure which is a well known geological feature of the Free State goldfield.

The Mines of the Free State goldfield (the first of which was established in 1949) have collectively produced more than 300 million ounces of gold as well as a substantial amount of bi-product uranium. The gold and uranium ore has been recovered principally from the Basal Reef (a reef generally less than 1 meter thick) which is widespread in its distribution across the goldfield. A number of other reefs located above the Basal Reef, with more local or confined distribution, have also been mined in places. The other reefs include the Leader, "B", "A", and Beatrix reefs. The Basal, "B" and "A" reefs are all reported to be mined on the Masimong 5 mine immediately south of Superior's property.

Superior's objective is to evaluate its property area using diamond drilling to determine whether one or more gold enriched reefs occur and thereafter to determine whether a mineable ore deposit can be delineated.

Superior has planned an initial drill hole program of up to four diamond core holes each expected to extend to a depth of approximately 1,500 meters. Multideflexions from each of the primary holes are likely to be drilled if reefs are intersected in order to ensure that intersections suitable for evaluation purposes are recovered. If core is lost during the drilling of reef zones the intersections are rendered unsuitable for evaluation purposes.

Drilling is planned to commence early in 2008.

*Ross Alluvial Goldfield, New Zealand*

In October 2007, the Company entered into an option agreement to acquire a 100 percent ownership in certain mineral permits, licences and applications to a mineral property located near Ross Township, New Zealand through the purchase of the shares of R & M Mining Limited.

# SUPERIOR MINING INTERNATIONAL CORPORATION

## FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS PERIOD ENDED OCTOBER 31, 2007

### *Ross Alluvial Goldfield, New Zealand (cont'd...)*

The Company can acquire 100 percent ownership of R & M Mining Limited 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 \$4,829,000 CAD) and \$5.00 AUD (approximately \$4.80 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 \$4.83 CAD) for each ounce of gold.

The timeframe within which this option can be executed covers some 60x months from date of signing. The properties in question [comprising 4x Mining Licences/Permits and 2x Exploration Permits] total 544.7 hectares

Similarly, in November 2007, the Company entered into an option agreement to acquire a 100 percent ownership in certain mineral permits of a mineral property located near Ross Township, New Zealand through the purchase all of the shares of Placer Gold Resources.

The Company can acquire 100 percent ownership of Placer Gold Resources and its permits by managing all of the required exploration and development work on the mineral property within a 36 month option period. The Company will 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.

This property [comprising 2,906 hectares] provides the Company with access to a combined 3,450.7 hectares [some 34.5 square kilometres] of highly prospective ground for alluvial gold in the historically productive Ross goldfield.

The properties are centred around the small, historic goldmining town of Ross some 71 kilometres south of Greymouth on the West Coast of the South Island of New Zealand.

The first major gold discoveries on the West Coast were made in the area around Ross by the year 1865. Gold was found all around by panning and cradling and the town expanded as a consequence.

Approximately 200,000ozs of alluvial gold are estimated to have been extracted by underground means between discovery (1865) and the field's gradual demise in 1918.

To the north and south, the area covers parts of the coastal plain consisting of river and fluvio-glacial terraces. Inland towards the east, the plain gives way to steeply dissected hills of the Lower Palaeozoic Greenland Group rocks. This is geologically a 'placer' environment with the hills supplying the bulk of the alluvium and gold from the Otago schists in the interior. The contained grades can be expected to decrease with distance away from those steep hills.

The Pliocene age "Old Man Gravels" contain 2x significantly auriferous conglomerate units (the "R6" and "R8"). The "Ross Flat Formation" of lower Pleistocene age however accounted for the gold-rich deep, coarse gravel 'leads' that were selectively mined underground below Ross township in the mid-1800's. This 'formation' supported one of the richest, albeit short lived, alluvial goldfields in New Zealand under what is now the site of Ross. That old, historical activity ceased in 1918 and was resurrected in the late 1980's by Ray Thomas and R&M. The Thomas surface alluvial workings – lying dormant since 2003 to the present - extend over some 400m across and 90m depth.

The depth of the Ross United shaft indicates there to be a minimum formation thickness of 100m. More recent geological interpretations however would suggest there is a depth potential to the Ross Flat Formation of between 250 and 300metres.

The Company's primary objective is to establish a suite of alluvial gold resources in the general area with a view towards establishing a moderately scaled, low unit-cost, efficient and industrially safe alluvial gold production base in New Zealand.

**SUPERIOR MINING INTERNATIONAL CORPORATION**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
PERIOD ENDED OCTOBER 31, 2007**

*Ross Alluvial Goldfield, New Zealand (cont'd...)*

The evaluation process will comprise a number of activities but as a minimum will be a combination of

- Modern, geophysical techniques [radar/mini-seismic etc.]
- large diameter drill testwork aimed at securing adequate sample size return
- the digging of shallow pits for bulk sample testwork and the appraisal of recovery characteristics

These work programs are scheduled to commence in January, 2008

*Bothaville Gold Project, South Africa*

During the year ended October 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 July 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. 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.

The Company awaits results from a non-related neighboring property that is contiguous with Bothaville. If the results are favorable, the Company will consider further exploring its Bothaville property.

*The South African Diamond Permits*

The Company is proposing to wind up and abandon all companies which have previously held diamond permits in Namaqualand, South Africa. During the year ended July 31, 2007, the Company wrote off the remaining \$100 to operations.

**Results of Operations**

During the quarter ended October 31, 2007, the Company:

- 1) granted 2,900,000 stock options resulting in stock-based compensation using the Black-Scholes option pricing model of \$646,907 of which \$161,727 was expensed in the current period, and the remaining \$485,180 will be expensed as the options become exercisable over the next year and a half.
- 2) wrote-down the carrying value of 7,210,000 shares in Pamodzi Gold Limited to equal the market value at October 31, 2007 (ZAR 16.80 per share or \$17,650,000 CAD) resulting in an unrealized loss on investment of \$3,439,250.

**Summary of Quarterly Results**

	Three Months Ended October 31, 2007	Three Months Ended July 31, 2007	Three Months Ended April 30, 2007	Three Months Ended January 31, 2007
Total assets	\$ 18,972,624	\$ 23,274,393	\$ 22,990,311	\$ 4,329,381
Mineral properties and deferred costs	236,054	236,054	236,154	236,385
Working capital	29,634	231,855	1,454,178	1,563,518
Shareholders' equity	16,349,503	20,634,549	21,642,563	4,281,931
Revenues	-	-	-	161,915
Net income (loss)	(3,728,909)	(1,011,483)	17,360,632	(319,113)
Income (loss) per share	(0.12)	(0.03)	0.57	(0.01)
Diluted income (loss) per share	(0.12)	(0.03)	0.40	(0.01)

**SUPERIOR MINING INTERNATIONAL CORPORATION**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
PERIOD ENDED OCTOBER 31, 2007**

**Summary of Quarterly Results (cont'd...)**

	Three Months Ended October 31, 2006	Three Months Ended July 31, 2006	Three Months Ended April 30, 2006	Three Months Ended January 31, 2006
Total assets	\$ 6,732,224	\$ 7,151,244	\$ 2,007,455	\$ 2,083,502
Mineral properties and deferred costs	4,476,355	4,528,880	1,606,474	1,449,617
Working capital (deficiency)	1,754,005	2,069,157	(287,915)	124,501
Shareholders' equity	4,601,044	4,744,590	1,380,220	1,587,519
Revenues	503,915	-	-	-
Net loss	(143,546)	(1,185,364)	(257,299)	(1,511,084)
Loss per share	(0.00)	(0.08)	(0.02)	(0.10)

During December 2006, the Company acquired shares in Pamodzi Gold Limited. As consideration the Company contributed assets from its interest in MGI, which included the Middlevelei property which was a producing property.

**Liquidity**

The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been 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. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	October 31, 2007	July 31, 2007
Working capital	\$ 29,634	\$ 231,855
Retained earnings (deficit)	1,775,332	6,222,105

Net cash used in operating activities for the three month period ended October 31, 2007 was \$156,206 compared to net cash used of \$41,767 during 2006. The cash utilized by operating activities for the year consists primarily of the operating expenses and changes in non-cash working capital.

Net cash used in investing activities for the three month period ended October 31, 2007 was \$Nil compared to cash used of \$249,620 during 2006. The cash utilized by investing activities consists mostly of acquisition of an investment and a loan receivable.

Net cash provided by financing activities for the three month period ended October 31, 2007 was \$Nil compared to cash provided of \$550,000 during 2006. The cash provided by the financing activities consists of the collection of proceeds from a private placement that completed during the year ended July 31, 2006.

**SUPERIOR MINING INTERNATIONAL CORPORATION**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
PERIOD ENDED OCTOBER 31, 2007**

**Capital Resources**

The Company believes it has sufficient funds to meet its property maintenance payments for 2007 and cover anticipated administrative expenses throughout the year. It will continue to focus exploration and development efforts on mineral properties in South Africa.

**Related Party Transactions**

The Company entered into the following transactions with related parties:

- a) Paid or accrued accounting and administrative service fees of \$46,400 (2006 - \$7,500) to a partnership in which a director has an interest. As at October 31, 2007 an amount of \$50,500 (2006 - \$15,000) owing was included in accounts payable.
- b) Paid management fees of \$24,000 (2006 - \$24,000) 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.

The fair value of the amounts due to related parties is not determinable as they have no fixed terms of repayment, do not bear interest and are unsecured.

**Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, receivables, loan receivable, long-term investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

**Risk management**

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

The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

**New accounting pronouncements**

The Canadian Institute of Chartered Accountants issued the following standards effective for the fiscal years beginning on or after October 1, 2006: Accounting Standards Section 1530 "Comprehensive Income", Accounting Standards Section 3855 "Financial Instruments –Recognition and Measurement" Accounting Standard Section 3861 "Financial Instruments – Presentation and Disclosure" and Accounting Standards Section 3865 –"Hedges". These sections require certain financial instruments and hedge transactions to be recorded at fair value. The standards also introduce the concept of comprehensive income and accumulated other comprehensive income.

**SUPERIOR MINING INTERNATIONAL CORPORATION**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
PERIOD ENDED OCTOBER 31, 2007**

**New accounting pronouncements** (cont'd...)

The Company adopted these standards effective August 1, 2007 on a prospective basis without retroactive restatement of prior periods. Under the new standard, financial instruments designated as "held for trading" and "available for sale" will be carried at their fair value while financial instruments designated as "loans and receivables", "financial liabilities" and those classified as "held to maturity" will be carried at their amortized cost. All derivatives will be carried on the consolidated balance sheet at their fair value. Mark-to-market adjustments on these instruments will be included in either net income or comprehensive income. Transaction costs incurred to acquire financial instruments will be included in the underlying balance.

**Outstanding Share Data**

As at December 17, 2007, the Corporation has 30,587,995 common shares issued and outstanding and has the following options and warrants outstanding:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	1,455,000	\$ 0.25	May 10, 2011
	1,600,000	0.34	July 26, 2011
	2,900,000	0.27	August 24, 2012

**Subsequent events**

Subsequent to October 31, 2007, the Company entered into an option agreement to acquire a 100 percent ownership in certain mineral permits in a mineral property located near Ross Township, New Zealand through the purchase all of the shares of Placer Gold Resources.

Subsequent to October 31, 2007, the Company entered an agreement to acquire a 100 percent ownership of Placer Gold Resources and its permits by managing all of the required exploration and development work on the mineral property within a 36 month option period. The Company will 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.

**Outlook**

The Company will continue to explore its existing properties in New Zealand and South Africa. The Company will also continue to search for opportunities to acquire additional properties.