

**SUPERIOR MINING INTERNATIONAL CORPORATION**  
**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**PERIOD ENDED APRIL 30, 2011**

*The following management discussion and analysis, prepared as of June 28, 2011 should be read in conjunction with the unaudited consolidated financial statements for the period ended April 30, 2011 and related notes attached thereto and with the annual audited consolidated financial statements and the Management Discussion and Analysis for the year ended July 31, 2010. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). All dollar figures in this report are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).*

### **Company Overview**

The Company is a Canadian company incorporated in the Yukon Territory and trades on the TSX Venture Exchange under the symbol SUI. The Company is engaged in the acquisition and exploration of mineral properties in New Zealand and South Africa. 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**

#### ***New Zealand***

##### ***Victory Gold Project (formerly named the Placer Property)***

In November 2007, the Company entered into an option agreement to acquire 100% ownership in a mineral permit (EP 40872) for a property located near Ross Township, New Zealand (the “Victory Property”), through the purchase of all of the shares of Placer Gold Resources Limited (“Placer Gold”).

In 2009, the Company amended the option agreement to advance the project more rapidly. Under the terms of the amended and restated option agreement (the “Agreement”), Placer Gold and its shareholders granted the Company a 24 month option to acquire a 100% interest in the permits comprising the Victory Property by carrying out an exploration program, constructing a placer mining facility (the “Plant”) on that property, and processing 10,000 cubic meters of material through the Plant. The Agreement was structured as an option to purchase all of the issued and outstanding shares in the capital of Placer Gold, a New Zealand company. Upon exercise of the option, the Company will grant to the Placer Gold shareholders a 7% net smelter royalty on the Property. The Company is currently renegotiating the terms of an acquisition to obtain an interest in Placer Gold.

The property comprises 2,906 Ha of Pleistocene blacksand leads, which form part of raised beach deposits, buttressing up against moraine outwash terraces. Gold, along with ilmenite, magnetite, garnet, zircon and other heavy minerals (Minehan, 1989) is concentrated into lenticular beach placers of which a number are currently being exploited by mining operations along strike to the northeast and southwest. An airborne helicopter-supported magnetic survey flown in 2008 by Southern Geoscience Consultants identified a number of magnetic lineaments coincident with Quaternary-aged strandlines. In the northern portion of the property ground truthing of shallow linear magnetic anomalies identified two distinct target types: i) localized higher-grade embayment type strandline mineralization where moraine terraces have created lower energy depositional regimes, and ii) large tonnage potential exposed long-drift derived strandlines. A limited RC drilling program (19 holes) targeting obvious embayment targets and shallow magnetic strand line deposits was undertaken in Q2 2009.

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In Q4 2009 the Company undertook a further 42 RC drill holes (totaling 855 metres) to quantify higher grade gold zones associated with defined embayment targets in the north, along with potential similar targets to the south. From this drilling a number of mineralized zones (+0.1 g/t Au or +200 mg/m<sup>3</sup>) have been crudely defined; all of which are open along and across strike.

Drill hole rationale and results have been detailed in previous Management Discussion and Analysis filed with SEDAR releases at [www.sedar.com](http://www.sedar.com).

Based on the uniform gold distribution (>0.1 g/t Au) defined within a designated polygonal area in the northern portion of the property a bulk sampling program involving the excavation of a number of strategic test pits each of approximately 20 cubic metres, was undertaken both along and across the strike of the mineralized strandlines. Bulk sample material was processed using a 2-3 cubic metre per hour capacity black sand concentrating plant, followed by final concentration and gold encapturement through a system comprising a knelson-type concentrator and Wilfley table. Sampling and gold analysis of oversize feed material, tailing effluent and concentrate residues is undertaken on routine basis as part of QA/QC process.

Two previous bulk test pits (70 and 120 cubic metres) excavated on the area known as Butler's Land Fill, located in the central western portion of the property reported only low tenor gold grades of less than 100 mg/m<sup>3</sup>. These two bulk samples tested the upper section of the moraine and the results are not considered indicative of grades likely to occur in areas where streams have cut down through the moraine and re-concentrated gold.

An area considered prospective for alluvial gold has been identified in a poorly maintained forestry area contained within the Victory permit, referred to as the Butlers Block. Historical drill hole data indicates economic grades from near surface. A bulk sampling program is proposed to assess the extent of these gold bearing fluvial gravels. An access agreement has been granted by the Crown landowner.

At the southern end of the Victory permit, at Squatters Creek, an alluvial mining operation has recently commenced adjacent to the eastern boundary of the Victory permit.

#### ***Victory North Project***

The Company has been issued an Exploration Permit (52251) on ground immediately adjacent to that of the Victory Property on which the Company has recently reported near surface gold intercepts from reverse circulation (RC) drilling.

The new property (referred to as "Victory North") comprises an elongate NE-SW block of 249.7 Ha with topographical linear highs of magnetite-gold bearing Pleistocene beach strandlines known as "blacksand leads".

With the addition of the Victory North property the Company now has interest in approximately 18 km of the New Zealand coastline which hosts the targeted blacksand leads.

Documented historical exploration (Wood, 2003) over the property reports Bangka drilling from the 1930's intersecting significant gold intervals (+0.1 g/t Au) from 3 of 9 holes drilled to a maximum of 0.41 g/t Au over 9.1 metres from surface. More recent exploration in the 1980's (Amax Exploration NZ Ltd) focused on the alluvial gold potential of more easterly moraine terraces.

A helicopter borne magnetic survey is proposed for the Victory North Project area, to identify blacksand leads, prior to the commencement of a drilling or bulk sampling program. Positive feedback has been received from the principle landowner within the permit area. A GIS database is being established, along with a review of historical mining data.

No work was carried out during the quarter apart from a geological review of the property. The proposed helicopter survey will be undertaken in conjunction with infill 100m line spacing at Victory for better target definition.

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***Ross South Project***

In addition the Company has also been issued an Exploration Permit (EP 51688) on ground immediately south of the former Ross property from which the Company has recently withdrawn. The new property (referred to as "Ross South"), located 2.0 km to the south of the Victory property, consists of Pliocene-aged alluvial gold leads peripheral to current or historical mining operations.

Previous reverse circulation (RC) drilling on the Ross property identified the presence of southerly trending auriferous leads that were confined in the north, but having greater volume potential to the south. This presence led the Company to apply for the newly acquired Exploration Permit. This thickening of auriferous leads is suggested by the presence of mine shafts from the early 1900s, including one in the northeast section of the property sunk to a depth of 125 metres, historically, the deepest recorded shaft in that region.

Detailed geological mapping by Amax Exploration in the early 1980s indicates that the property is underlain by the Pliocene Old Man Group gravels, thought to represent erosional products of cyclic outwash deposits and moraine fronts of successive glaciers. The Old Man Group comprises three layered units, with the uppermost layer (Humphrey's Conglomerate) considered the most prospective for gold placer concentration. Historical mining of "stacked" gold leads from this unit and to a much lesser extent from the underlying Jones Formation and Donnelly Conglomerate, to the north of the property, resulted in gold production of 168,000 oz (1890-1920) and 130,000 oz (1985-2002). Gold leads of the Humphrey's Conglomerate are still visible today in the southwestern pit wall of the neighbouring property. Lateral extensions of Humphrey's Conglomerate are currently being exploited by a local mining company only 1.0 km to the east of the new property.

The Company plans to commence an RC drilling program close to the historical mine shaft now that the Department of Conservation has agreed to grant access for the construction of a track and drilling platform.

During the quarter, SUI applied for a change of condition to the permit to remove the requirement to map the property. After reviewing the property, it was apparent that it was impossible to navigate and view any outcrop due to the thick bush cover. The exploration program will now shift to where possible stream sediment sampling can be carried out.

A land access agreement was executed between SUI and neighboring property owner Mr Ray Thomas. The agreement now allows for SUI to drive through his property to access drill targets and thus save on earthworks.

***Otama Project***

In 2010, the Company entered into an agreement with Lodestar Resources Limited to acquire an option to purchase an 80% interest in the Otama Property (EP 52315 and PP 52773), northern Southland – New Zealand. The Property comprises a total area of 9,436 hectares under granted permit. The Company is currently renegotiating the terms of an acquisition to obtain an interest in Lodestar Resources Limited.

The Property is prospective for Cu-Au mineralization associated with the Permian Otama Complex and for shear-hosted gold mineralization. Sampling of gossanous outcrops on the Property by historical explorers reported significant Cu-Au values of:

- Waikaka Hill quartz-pyrite lode (Galvin, 1906) assayed 6 g/t Au, 4.5 g/t Ag and 2.0% Cu
- Australian Mining & Oil Investments (1972-73): grab samples from fault shears, mylonites, quartz lodes and disseminated sulfide types ranged from 0.15-0.3 g/t Au and 1.85-7.8% Cu.
- Lodestar (2005): grab and channel samples (n=45) from mylonite, gossan and quartz lodes ranged from 0.14-1.47% Cu

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Substantial historical alluvial gold workings occur immediately north and east of the Otama Complex, included the King Solomon Mine which averaged 1.0 oz gold per cubic metre. Careful examination of the alluvial tailings revealed that the host rocks are those of the Otama Complex.

The Property covers parts of a Permian igneous complex, located within the regional Dun Mountain Ophiolite Belt. A wide variety of altered felsic and mafic plutons, along with their volcanic equivalents are present within the igneous complex. The Property covers two north-south trending horst fault blocks, with severe structural dislocation resulting in a series of m's to km's sized fault mélanges of intrusive and volcanic facies rocks, along with associated mylonization. Hydrothermal silica, argillic to advanced argillic and magnetite alteration is widespread. Copper and associated gold mineralization occurs in i) zones of bleached and silicified breccias/shear zones impregnated by up to 25% pyrite and trace to minor amounts of chalcopyrite; and ii) sulfide disseminations within diorite and keratophyre intrusives. In outcrop mineralization of the former are highly weathered and interpreted as semi-gossans.

During the period ending July 31, 2010 the Company undertook a trenching and sampling program. A total of 3 shallow trenches to bedrock were completed, and grab samples were recovered for assay analysis. Best result returned 6.5m averaging 4.2% copper.

In December 2010 a ground EM and magnetic survey was carried out and this was followed up by a helicopter borne high resolution magnetic and radiometric survey in January 2011. A 3D model of the data is currently being modeled by a West Australian geophysicist who is familiar with the area.

During the quarter, a five day mapping program was carried out over the trenching area. The map and the report are yet to be received.

#### ***Collingwood Project***

Exploration Permit 52218 covering 16750 hectares was granted in December 2010. The permit area covers numerous historical and alluvial gold workings in the Collingwood area, including the Johnston United underground mine which produced around 20,000 oz at approximately 10g/t. A geophysical survey of the hard rock prospects, comprising an area of approximately 30 sq km is currently being planned.

During April, SUI consultants visited the property and completed an initial reconnaissance over the Aorere Gold workings. SUI is currently compiling historic data for focusing on prime target areas within the permit.

#### ***Kirwans Project***

In late 2010, the Company, through a wholly owned subsidiary, applied for a Prospecting Permit. The permit application covers an area of approximately 883 sq km, on the eastern edge of the prolific Reefton Goldfield. Within the application area are several hard rock gold and tungsten prospects. The permit is expected to be granted during the third quarter once SUI provides a guarantee of its funding commitment.

During April, SUI visited the property via helicopter and reviewed the historical gold workings. The permit is still yet to be granted and therefore no exploration work can be undertaken.

#### ***South Africa - Mangalisa Property***

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.

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Superior's 180 square-kilometre Mangalisa license area is situated approximately 20 km to the east of the township of Welkom, and less than 10 km north of Harmony Gold's operating Masimong #5 (formerly Erfdeel) gold mine. The contiguous, highly prospective ground was chosen for its potential to host eastward extensions of the Western limb of the Witwatersrand Goldfield in the Welkom District. The lease dimensions contain approximately 18 kilometres of strike potential and approximately 10 kilometres of down-dip potential.

The Company'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 an economic deposit can be delineated. The Company's exploration plans in conjunction with Minco Mineral Holdings (Pty) Limited ("Minco") called for approximately 8 diamond drill holes of up to 1000m deep targeting the Erfenis Reef in the immediate area of the PG-1 discovery hole at Mangalisa.

On April 8, 2010, the Company executed an agreement with Minco pursuant to which Minco had the option to acquire 90% of the Company's directly controlled shares in Turquoise Moon Trading 403 Pty. Ltd ("TMT") by spending USD\$10,000,000 on the development of TMT's Mangalisa Project, of which USD\$5,000,000 had to be spent by April, 2011. The Company holds a 74% direct interest in TMT and a further 13% indirect interest. If Minco expended the full USD\$10,000,000 the Company's direct and indirect interest in TMT would have been reduced to 20.4% (7.4% directly and 13% indirectly).

By the April 2011 milestone date, Minco had failed to meet the minimum exploration expenditure requirement and they forfeited their right to acquire an interest in the Mangalisa property.

During the period ending April 30, 2011, six holes had been completed to the level of the Erfenis Reef horizon. The holes were drilled to a depth of approximately 1,000 m each, with four holes intersecting the Erfenis Reef Zone, including hole PG.1.

Significant intersections are as follows:

ERF.7	874.10 - 84.39 (0.29 m) @ 36.6 g/t Au & 0.24 kg/t U
PG.1/12	776.32 - 776.77 (0.45 m) @ 45.8 g/t Au & 3.79 kg/t U
(including)	776.56 - 776.77 (0.21 m) @ 91.8 g/t Au & 7.24 kg/t U
PG.1/13	776.13 - 776.45 (0.32 m) @ 51.1 g/t Au & 4.27 kg/t U
PG.1:	Re-opened 1998 drill hole (UMT: 35J, X: 3,080,224, Y: 0,011,792, Elevation: 1,395 m AMSL, Direction: 263 degrees, Inclination: 85 degrees)

/ xx: Deflection number. Deflections 0 to 10 were drilled in 1988. Core was not recovered from Deflection 11.

The Company is currently working with local parties to determine how best to complete the remainder of the exploration program.

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**Results of Operations for the Three Months Ended April 30, 2011**

During the three month period ended April 30, 2011, the Company had a loss of \$105,107 compared to a loss of \$220,723 for the same period ended April 30, 2010. Significant fluctuations occurred in the following categories:

- a) professional fees of \$36,509 (2010 – \$44,934). The decrease was primarily due to lower legal fees;
- b) stock-based compensation of \$108,510 (2010 - \$45,905). Stock-based compensation in the current period was for options vested;
- c) travel expenses of \$23,665 (2010 - \$40,390) due to lower levels of activity; and
- d) gain on sale of investment of \$158,098 (2010 - \$Nil) as the Company sold its MAV II notes during 2011.

**Results of Operations for the Nine Months Ended April 30, 2011**

During the nine month period ended April 30, 2011, the Company had a loss of \$343,404 compared to a loss of \$1,002,758 for the same period ended April 30, 2010. Significant fluctuations occurred in the following categories:

- a) professional fees of \$96,902 (2010 – \$195,438). The decrease was primarily due to lower legal fees;
- b) stock-based compensation of \$109,263 (2010 - \$172,934). Stock-based compensation in the current period was for options vested during the current period;
- c) travel expenses of \$23,665 (2010 - \$97,243) due to lower levels of activity;
- d) a write-off of a loan receivable of \$Nil (2010 - \$10,673) to Pamodzi Gold Limited, a corporation that was put into receivership;
- e) a mineral property write off of \$Nil (2010 - \$275,183); and
- f) gain on sale of investment of \$158,098 (2010 - \$Nil) as the Company sold its MAV II notes during 2011.

**Summary of Quarterly Results**

	April 30, 2011	January 31, 2011	October 31, 2010	July 31, 2010
Total assets	\$ 2,325,602	\$ 2,824,649	\$ 2,829,567	\$ 2,572,217
Mineral properties	2,248,998	2,056,247	1,878,581	1,798,880
Working capital (deficit)	(134,442)	(796,047)	(511,746)	(688,591)
Shareholders' equity	2,136,512	1,870,609	1,987,254	1,725,651
Net and comprehensive loss	(105,107)	(116,736)	(121,561)	(290,972)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)

	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009
Total assets	\$ 2,359,216	\$ 2,361,545	\$ 2,894,969	\$ 2,375,296
Mineral properties	1,603,077	1,501,353	1,652,683	1,602,574
Working capital (deficit)	(597,116)	(503,399)	(159,524)	(625,529)
Shareholders' equity	1,596,110	1,595,928	2,093,257	1,578,034
Net and comprehensive loss	(220,723)	(499,234)	(282,801)	(874,359)
Basic and diluted loss per share	(0.01)	(0.02)	(0.01)	(0.02)

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**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. For the nine month period ended April 30, 2011, the Company incurred a net loss of \$343,404 (2010 - \$1,002,758), had a working capital deficiency of \$134,442 (July 31, 2010 - \$688,591) and a deficit of \$17,028,205 (July 31, 2010 - \$16,684,801).

Net cash used in operating activities for the nine month period ended April 30, 2011 was \$409,538 compared to net cash used of \$459,070 during 2010. The cash utilized by operating activities for the period consists primarily of the operating expenses and changes in non-cash working capital.

Net cash provided by investing activities for the nine month period ended April 30, 2011 was \$350,544 compared to cash used of \$304,573 during 2010. The cash utilized by investing activities consists of mineral property acquisition and exploration costs, and sale of investments was the major source of cash from investing activities during 2011.

Net cash used in financing activities for the year ended April 30, 2011 was \$62,998 compared to cash provided of \$847,900 during 2010. The cash utilized by financing activities consists mainly of the repayment of the bank loan in 2011, net of funds received from the issuance of shares for cash.

**Capital Resources**

During the period ended April 30, 2011, the Company completed a non-brokered private placement for \$396,000 by issuing 3,300,000 common shares at a price of \$0.12 per share. The Company paid \$13,498 in cash in connection with the private placement.

Subsequent to April 30, 2011, the Company issued 1,094,444 shares for stock options exercised during the period ended April 30, 2011.

**Related Party Transactions**

During the period ended April 30, 2011, the Company entered into the following transactions with related parties:

- a) paid or accrued professional fees of \$45,550 (2010 - \$57,550) to a partnership in which a director has an interest. As at April 30, 2011 an amount of \$30,172 (July 31, 2010 - \$33,072) owing was included in accounts payable;
- b) paid management fees of \$76,500 (2010 - \$72,000) to a corporation owned by a director of the Company;
- c) paid consulting fees of \$34,282 (2010 - \$50,310) to a director of a subsidiary; and
- d) paid administration fees of \$10,060 (2010 - \$9,000) recorded as office fees to a director of the Company.

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.

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**Capital Management**

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

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

**Financial Instruments**

The Company's financial instruments consist of cash, receivables, 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.

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.

The Company's risk exposures and the impact on the Company's financial instruments are summarized in Note 10 of the Company's unaudited interim financial statements.

**Risks and Uncertainties**

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The Company manages risks to minimize potential losses. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. A summary of financial risk factors related to the Company's business are provided in Note 10 of the Company's unaudited interim financial statements. The additional risks to which the Company is exposed are described below.

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks.

The key determinants as to the Company's operational outcomes are as follows:

- a) the state of capital markets, which will affect the ability of the Company to finance further mineral property acquisitions and expand its contemplated exploration programs;
- b) the prevailing market prices for base metals and precious metals;
- c) the consolidation and potential abandonment of the Company's Property as exploration results provide further information relating to the underlying value of the Property; and
- d) the ability of the Company to identify and successfully acquire additional mineral properties in which the Company may acquire an interest whether by option, joint venture or otherwise, in addition to or as an alternative to the Property.

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**Risks and Uncertainties** (cont'd...)

*Exploration and Mining Risks:* Exploration for mineral resources involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company has limited financial resources and, as pointed out above, has no current source of recurring income with which to cushion financial setbacks. In future there is no assurance that the Company will produce revenue, operate profitably or provide a return on investment. The Company seeks to counter this risk as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits. The focus of the Company is on areas in which the geological setting is well understood by management.

*Metal Price Risk:* Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The price of gold is affected by numerous factors beyond the control of the Company and can be extremely volatile. The price of this metal greatly affects the value of the Company.

*Financial Markets:* The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

*Permits and licenses:* The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

*Industry:* The Company is engaged in the acquisition and exploration of resource properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable deposits.

*Capital Needs:* The exploration of the Company's future properties will require additional financing. The only current source of future funds available to the Company is the sale of additional equity capital. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favorable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration activities on the Company's property or even a loss or property interest.

**Critical Accounting Policies**

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's interim financial statements as at April 30, 2011 and the July 31, 2010 and 2009 audited financial statements. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

**Going Concern**

The financial statements are prepared in accordance with Canadian GAAP on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

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**Going Concern** (cont'd...)

For the nine month period ended April 30, 2011, the Company incurred a net loss of \$271,690 (2010 - \$1,002,758), had a working capital deficiency of \$134,442 (July 31, 2010 - \$688,591) and a deficit of \$16,956,491 (July 31, 2010 - \$16,684,801). The Company does not generate sufficient cash flow from operations to adequately fund its future exploration activities and has relied principally upon issuance of securities and loans from related parties to fund its exploration and administrative expenditures. These conditions raise significant doubt regarding the Company's ability to continue as a going concern.

The Company will require additional capital to fund its future property acquisitions and exploration programs as well as for administrative purposes. If the management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

**Recent Accounting Pronouncements**

*International financial reporting standards ("IFRS")*

In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011.

*Conversion to IFRS*

The Company is currently examining the transition options and policy choices presented under IFRS and evaluating the impact on the future financial statements of the Company. Many of the differences identified between IFRS and Canadian GAAP are not expected to have material impact on the reported results and financial position. However, there may be changes as a result of IFRS' accounting principles and provisions for first time adoptions. The Company has not yet determined the full accounting effects of adopting IFRS, since some key accounting policy alternatives and implementation decisions are still being evaluated.

First-time adoption of IFRS

IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"), provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company will need to analyze the various accounting policy choices available and will implement those determined to be most appropriate in the circumstances. The Company expects that key IFRS 1 exemption decisions will be approved by senior management during 2011.

Below are some of the significant areas that were discussed:

- a) Property, plant and equipment - the Company is not expecting to apply the fair value method to determine the deemed opening cost under IFRS which is one of the significant IFRS1 exemptions.
- b) Financial instruments - The accounting policy of the Company will be amended to:
  - Include changes to impairments of financial assets and their possible reversal.
  - Detail the conditions that need to be met for the designation of financial instrument as "fair value through profit and loss".

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- c) Impairment of assets – The accounting policy of the Company will be amended to change the assessment method of whether impairment exists: instead of the two step approach under Canadian GAAP, the discounted cash flows are taken as an indication to determine impairment.

*Systems and disclosure*

IFRS will require more in depth disclosure. The Company is taking the necessary steps to adjust the systems requirements to ensure proper data collection for IFRS disclosure purposes. The Company will stay informed on the upcoming changes to the IFRS and will continue to adjust its plan to include all key elements and ensure compliance by 2011.

**Outstanding Share Data**

As at June 28, 2011 the Corporation has 48,102,439 common shares issued and outstanding, no warrants outstanding and has the following options outstanding:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	1,500,000*	\$ 0.12	July 26, 2011
	2,085,556	0.27	August 24, 2012
	250,000	0.08	May 7, 2014
	100,000	0.05	May 28, 2014
	100,000	0.12	September 24, 2014
	230,000	0.215	April 7, 2015
	300,000	0.185	June 25, 2015
	<u>2,090,000</u>	<u>0.22</u>	<u>March 4, 2016</u>
	<b>Total Options outstanding at June 28, 2011</b>		
	<b><u>6,655,556</u></b>		

\* During the year ended July 31, 2010, the Company amended the exercise price of 1,500,000 stock options from \$0.34 to \$0.12.

**Commitment**

The Company has committed to rent an office in Vancouver, Canada over the period to May, 2013 totalling \$21,792 (see also Note 11 of the Company's April 30, 2011 financial statements).

**Off-Balance Sheet Arrangements**

The Company currently has no off-balance sheet arrangements.

**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.

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**Forward Looking Statements**

Certain of the statements made and information contained herein is “forward-looking information” within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company’s future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company’s ability to raise capital, expenditures to be made by the Company on its properties and work plans to be conducted by the Company. With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- uncertainties relating to receiving exploration permits;
- the impact of increasing competition;
- unpredictable changes to the market prices for minerals;
- exploration and developments costs for its properties;
- availability of additional financing and opportunities for acquisitions or joint-venture partners;
- anticipated results of exploration and development activities; and
- the Company’s ability to obtain additional financing on satisfactory terms.

The Company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A and Company’s Management’s Proxy Circular which can be found on SEDAR website ([www.sedar.com](http://www.sedar.com)): volatility in the market price for minerals; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral and oil and gas operations; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and farm-in or joint venture partners and unpredictable weather conditions.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.