

SUPERIOR MINING INTERNATIONAL CORPORATION
Management's Discussion and Analysis
For the Year Ended July 31, 2011

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Superior Mining International Corporation (the "Company" or "Superior") for the years ended July 31, 2011 and 2010, and related notes attached thereto, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP" or "GAAP"). This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars ("CDN\$"). Additional information relevant to the Company can be found on SEDAR at www.sedar.com. This MD&A has been prepared as of November 21, 2011.

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.

Outlook

The Company is continuing to explore its existing properties, with a focus on its 87% owned Mangalisa gold reef property in the Free State goldfield of South Africa that is adjacent to Harmony Gold's Masimong #5 Mine. At Mangalisa, two phases of drilling have intersected a series of quartz conglomerate reefs with highly anomalous gold and uranium grades. The Company plans to complete an expanded drilling program on the property over the next six months.

In New Zealand, the Company will focus on its existing 100% owned Collingwood gold, hard rock and alluvial, project and Victory North and Ross South gold alluvial projects.

The Company will also continue to search for opportunities to acquire additional properties.

Mineral Properties

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.

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.

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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 year ending July 31, 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 completing a geological Technical report based on the 43-101 format to incorporate all historic and current drilling and make recommendations for the next phase of drilling. This report will be completed during November. The Company plans to commence drilling once the report recommendations have been reviewed and funding is confirmed. It is anticipated that the drill program will be planned at shallow depths (updip) from the previous known intersections.

New Zealand

Victory Gold Project (formerly 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.

During the year ended July 31, 2011, the Company terminated the agreement resulting in a mineral property write-off of \$683,518.

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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. Property owners were approached during the quarter to discuss land access for a proposed drill program. To date, one substantial landowner has given verbal agreement for access.

Ross South Project

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 entire property. After reviewing the property, it was apparent that it was difficult to navigate and view due to the thick bush cover. The exploration program will now shift to where possible stream sediment sampling can be carried out.

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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.

Limited work was completed during the fourth quarter, including reading historical geological reports and some mapping was completed at the northern end of the property. The mapping will continue as weather permits.

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.

During the year ended July 31, 2011, the Company terminated the agreement resulting in a mineral property write-off of \$275,908.

Collingwood Project

Exploration Permit 52218 covering 16,750 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.

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.

During August, SUI visited the permit for its exploration potential and began to negotiate land access with the key property owners. Work is now underway to reduce the size of the permit by dropping off non prospective ground and to begin work on the area of interest.

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.

During the year ended July 31, 2011, the Company elected to withdraw the permit application to concentrate its efforts on the Company's more advanced land holdings which resulted in a mineral property write off of \$39,110.

Results of Operations

During the year ended July 31, 2011, the Company had a loss of \$1,598,773 (2010 - \$1,293,730). Significant fluctuations occurred in the following categories:

- a) professional fees of \$223,275 (2010 – \$284,435). The decrease was primarily due to lower accounting fees;
- b) stock-based compensation of \$155,348 (2010 - \$232,016). Stock-based compensation in the current period was for options vested during the current period;
- c) travel expenses of \$24,467 (2010 - \$117,179) due to lower levels of activity;
- d) a mineral property write offs of \$988,536 (2010 - \$275,183); and
- e) gain on sale of investment of \$158,098 (2010 - \$Nil) as the Company sold its MAV II notes during 2011.

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Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the financial statements and the overall performance section.

		2011	2010	2009
Loss for the year from continuing operations	\$	(1,598,773)	\$ (1,293,730)	\$ (4,858,430)
Basic loss per share		(0.03)	(0.03)	(0.14)
Diluted loss per share		(0.03)	(0.03)	(0.14)
Total assets		1,559,931	2,572,217	2,375,296

Summary of Quarterly Results

		July 31, 2011	April 30, 2011	January 31, 2011	October 31, 2010
Total assets	\$	1,559,931	\$ 2,325,602	\$ 2,824,649	\$ 2,829,567
Mineral properties		1,417,637	2,248,998	2,056,247	1,878,581
Working deficit		(193,323)	(134,442)	(796,047)	(511,746)
Shareholders' equity		1,244,078	2,136,512	1,870,609	1,987,254
Net and comprehensive loss		(1,255,369)	(105,107)	(116,736)	(121,561)
Basic and diluted loss per share		(0.03)	(0.00)	(0.00)	(0.00)

		July 31, 2010	April 30, 2010	January 31, 2010	October 31, 2009
Total assets	\$	2,572,217	\$ 2,359,216	\$ 2,361,545	\$ 2,894,969
Mineral properties		1,798,880	1,603,077	1,501,353	1,652,683
Working deficit		(688,591)	(597,116)	(503,399)	(159,524)
Shareholders' equity		1,725,651	1,596,110	1,595,928	2,093,257
Net and comprehensive loss		(290,972)	(220,723)	(499,234)	(282,801)
Basic and diluted loss per share		(0.01)	(0.01)	(0.02)	(0.01)

Fourth Quarter

During the quarter ended July 31, 2011, the Company had the following significant events and transactions:

- a) issued 3,242,500 shares for stock options exercised; and
- b) wrote-off mineral properties of \$998,536.

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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 year ended July 31, 2011, the Company incurred a net loss of \$1,598,773 (2010 - \$1,293,730) had a working capital deficiency of \$193,323 (2010 - \$688,591) and a deficit of \$18,283,574 (2010 - \$16,684,801).

Net cash used in operating activities for the year ended July 31, 2011 was \$419,212 compared to net cash used of \$627,805 during 2010. The cash utilized by operating activities for the year consists primarily of the operating expenses and changes in non-cash working capital.

Net cash provided by investing activities for the year ended July 31, 2011 was \$152,467 compared to cash used of \$401,644 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 provided by financing activities for the year ended July 31, 2011 was \$247,852 compared to cash provided of \$1,124,426 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 year ended July 31, 2011, the Company:

- a) completed a non-brokered private placement for \$396,000 (2010 - \$1,220,000) by issuing 3,300,000 (2010 - \$8,000,000) common shares at a price of \$0.12 per share (2010 - \$0.12 to \$0.25 per share). The Company paid \$13,498 in cash (2010 - \$95,574 in cash and 88,320 finders' warrants with a fair value of \$10,798) in connection with the private placement; and
- b) issued 3,242,500 (2010 - nil) common shares for stock options exercised.

Related Party Transactions

During the year ended July 31, 2011, the Company entered into the following transactions with related parties:

- a) paid or accrued professional fees of \$63,750 (2010 - \$66,000) to a partnership in which a director has an interest. As at July 31, 2011 an amount of \$66,256 (2010 - \$33,072) owing was included in accounts payable;
- b) paid management fees of \$102,000 (2010 - \$96,500) to a corporation owned by a director of the Company. As at July 31, 2011 an amount of \$38,080 (2010 - \$nil) owing was included in accounts payable;
- c) paid consulting fees of \$62,642 (2010 - \$66,807) to a director of a subsidiary;
- d) paid administration fees of \$13,060 (2010 - \$12,000), recorded as office fees, to a director of the Company. As at July 31, 2011 an amount of \$8,000 (2010 - \$nil) owing was included in accounts payable; and
- e) paid property investigation fees of \$nil (2010 - \$10,554) to a corporation owned by 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 audited 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 audited 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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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 July 31, 2011 and 2010 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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For the year ended July 31, 2011, the Company incurred a net loss of \$1,598,773 (2010 - \$1,293,730), had a working capital deficiency of \$193,323 (2010 - \$688,591) and a deficit of \$18,283,574 (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 adopters. 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".
- 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.

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- d) Share-based payments - IFRS 1 permits the application of IFRS 2 Share-based Payments only to equity instruments that had not vested by the date of transition to IFRS. The Company has applied this exemption and will only apply IFRS 2 for equity instruments that had not vested by August 1, 2011.
- e) Functional currency and foreign currency exchange translation – Canadian GAAP requires an entity to determine the functional currency of the parent company and then determine whether a subsidiary is an integrated or self-sustaining entity. This determination dictates the method of foreign exchange translation for the consolidated financial statements.

IFRS requires functional currency to be assessed independently for each entity within a consolidated group and introduces the concept of primary and secondary factors to help determine the function currency. The difference of approach may result in differences for our subsidiaries, which will have an impact on foreign exchange gains or losses recognized in income and equity. The Company will apply the exemption, such that the cumulative translation account will be reclassified to retained earnings on the date of transition.

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 the date of this MD&A, the Company has 56,085,495 common shares issued and outstanding and has the following options and warrants outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	1,700,000	\$ 0.27	August 24, 2012
	100,000	0.05	May 28, 2014
	200,000	0.12	September 24, 2014
	230,000	0.215	April 7, 2015
	300,000	0.185	June 25, 2015
	1,977,500	0.22	March 4, 2016
	<u>5,250,000</u>	0.12	September 29, 2016
	9,757,500		
Warrants	250,000	0.45	April 8, 2012
	54,800	0.10	November 18, 2012
	<u>5,835,000</u>	1.00	November 18, 2012
	6,139,800		

Commitment

The Company has committed to rent an office in Vancouver, Canada over the period through August 2012 totalling \$17,706 (see also note 11 of the Company's July 31, 2011 financial statements).

Off-Balance Sheet Arrangements

The Company currently has no off-balance sheet arrangements.

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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 in the Company's Management's Proxy Circular which can be found on the SEDAR website (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 exploration and 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 to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.