

# SUPERIOR MINING INTERNATIONAL CORPORATION

## FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS PERIOD ENDED APRIL 30, 2007

The following discussion and analysis, prepared as of June 18, 2007, should be read together with the unaudited consolidated financial statements for the nine months ended April 30, 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 for the years ended July 31, 2006 and 2005, 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. 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 period ended April 30, 2007, Pamodzi changed its name to Middelvlei Gold & Investments (Pty) Ltd. ("MGI") formerly, Pamodzi Gold (Pty) Ltd. ("PGI").

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.

# SUPERIOR MINING INTERNATIONAL CORPORATION

## FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS PERIOD ENDED APRIL 30, 2007

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

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.

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 owns 17.5% of Pamodzi Gold Limited (currently listed on the Johannesburg Stock Exchange ("JSE")).

During the period ended April 30, 2007, MGI used the Middlevlei JV Project, which property updates were included in previous MD&A's, as part of the consideration for its investment in Pamodzi Gold Limited.

#### *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 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 (currently at a carried value of \$100).

### **Overall Performance**

The Company continues to incur losses from operations.

### **Results of Operations**

The Company incurred income of \$16,897,973 (2006 – loss of \$2,024,525) during the nine month period ended April 30, 2007. The income consisted primarily of a gain. The Company, through MGI, acquired 7,210,000 shares in Pamodzi Gold Limited (currently listed on the Johannesburg Stock Exchange) which has a carrying value of \$21,248,231. As consideration the Company contributed net assets from its interest in MGI of \$2,364,601 resulting in a gain on sale of assets of \$18,883,630. Some of the significant expenses incurred during the period are as follows: paid or accrued \$287,414 (2006 - \$177,730) in accounting, legal and audit fees, \$58,144 (2006 - \$77,891) in office, telephone and printing expenses, consulting fees of \$139,902 (2006 - \$331,949), travel and related costs of \$97,840 (2006 - \$93,858), and future income tax provision of \$1,296,000 (2006 - \$Nil).

**SUPERIOR MINING INTERNATIONAL CORPORATION**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
PERIOD ENDED APRIL 30, 2007**

**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.

	Year ended July 31, 2006	Year ended July 31, 2005	Year ended July 31, 2004
Total revenues	\$ -	\$ -	\$ -
Loss for the year	(3,209,889)	(906,860)	(1,622,107)
Basic and diluted loss per share	(0.23)	(0.10)	(0.05)
Total assets	7,151,244	3,953,830	840,222
Total long-term liabilities	1,862,770	-	-
Cash dividends	-	-	-

Stock-based compensation is recorded as a result of issuing options to directors, officers and consultants.

During the year ended July 31, 2006, the company expended and capitalized a total of \$4,480,150 in deferred acquisition and exploration expenditures. \$1,248,591 of mineral property assets and other costs of \$70,162 (totalling \$1,318,753) were written-off to operations due to an abandoned agreement.

**Summary of Quarterly Results**

	Three Months Ended April 30, 2007	Three Months Ended January 31, 2007	Three Months Ended October 31, 2006	Three Months Ended July 31, 2006
Total assets	\$ 22,990,311	\$ 4,329,381	\$ 6,732,224	\$ 7,151,244
Mineral properties and deferred costs	236,154	236,385	4,476,355	4,528,880
Working capital	1,454,178	1,563,518	1,754,005	2,069,157
Shareholders' equity	21,642,563	4,281,931	4,601,044	4,744,590
Revenues	-	161,915	503,915	-
Net income (loss)	17,360,632	(319,113)	(143,546)	(1,185,364)
Income (loss) per share (restated to conform with July 31, 2006 treatment of Pamodi acquisition)	0.57	(0.01)	(0.00)	(0.08)

**SUPERIOR MINING INTERNATIONAL CORPORATION**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
PERIOD ENDED APRIL 30, 2007**

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

	Three Months Ended April 30, 2006	Three Months Ended January 31, 2006	Three Months Ended October 31, 2005	Three Months Ended July 31, 2005
Total assets	\$ 2,007,455	\$ 2,083,502	\$ 3,228,498	\$ 3,953,830
Mineral properties and deferred costs	1,606,474	1,449,617	2,274,350	1,297,321
Working capital (deficiency)	(287,915)	124,501	807,028	2,016,345
Shareholders' equity	1,380,220	1,587,519	3,098,603	3,329,745
Revenues	-	-	-	-
Net loss	(257,299)	(1,511,084)	(256,142)	(384,225)
Loss per share	(0.02)	(0.10)	(0.02)	(0.04)

**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.

	April 30, 2007	July 31, 2006
Working capital	\$ 1,454,178	\$ 2,069,157
Retained earnings (deficit)	7,230,119	(9,667,854)

Net cash used in operating activities for the nine month period ended April 30, 2007 was \$723,988 compared to net cash used of \$1,127,718 during 2006. The cash utilized by operating activities for the period consists primarily of the operating loss, a change in non-cash working capital.

Net cash used in investing activities for nine month period ended April 30, 2007 was \$96,849 compared to cash used of \$1,281,437 during 2006. The cash utilized by investing activities consists mostly of acquisition and expenditures on mineral properties and acquisition of an investment.

Net cash provided by financing activities for the nine month period ended April 30, 2007 was \$550,000 compared to cash provided of \$75,000 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 APRIL 30, 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 \$108,100 (2006 - \$32,800) to a partnership in which Cyrus Driver, a director and CFO has an interest. As at April 30, 2007 an amount of \$20,000 (April 30, 2006 - \$33,871) owing was included in accounts payable.
- b) Paid or accrued management fees of \$72,000 (2006 - \$24,000) to a corporation in which a director and CEO 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, due to joint venture partner, loan receivable, long-term investment 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 Policy - Investments**

Long-term investments are carried at cost. If it is determined that the value of the investment is permanently impaired, it is written down to its estimated net realizable value.

**SUPERIOR MINING INTERNATIONAL CORPORATION**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
PERIOD ENDED APRIL 30, 2007**

**Outstanding Share Data**

As at June 18, 2007, the Corporation has 30,587,994 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
<b>Warrants</b>	5,410,000	0.60	August 4, 2007