**SUPERIOR MINING INTERNATIONAL CORPORATION**
**FORM 51-102F1**
**MANAGEMENT DISCUSSION AND ANALYSIS**
**PERIOD ENDED JANUARY 31, 2011**

The following discussion and analysis, prepared as of March 31, 2011 should be read together with the unaudited consolidated financial statements for the period ended January 31, 2011 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 consolidated financial statements and the Management Discussion and Analysis for the year ended July 31, 2010.

Additional information related to the Company is available for view on SEDAR at 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. 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

### *Ross Alluvial Goldfield, New Zealand*

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

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

The Company has recently amended the option agreement in order to advance the project more rapidly. Under the terms of the amended and restated option agreement (the "Agreement"), Placer Gold and its shareholders have 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 is 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 Victory Property. In contrast to the previous option agreement, the Company is no longer required to complete a bankable feasibility study nor pay any advance royalty prior to commencing production on the property. This will permit the Company to advance the project quickly. Subject to the results of the aforementioned work program, the Company can proceed to build the Plant for the purpose of exercising the option and advancing the project to production. During the option period the Company will be entitled to manage all of the required exploration and development work on the Victory Property.

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 helimag 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 the Q2 2009.

Based on encouraging drilling results the Company undertook a further 42 RC drill holes (totaling 855 metres) in Q4 2009 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$^3$) 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.

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$^3$. 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. An access agreement with the Department of Conservation will be sought to enable bulk sampling of the thick auriferous gravels known to exist in the Squatters area, within the Victory permit.

***Victory North Project***

The Company has been issued an Exploration Permit (EP 52251) on ground immediately adjacent to that of the Victory Property on which the Company has recently reported encouraging 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.

***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.

***Otama Project***

The Company has 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 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

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.

Agreement Summary

1. Payment of up to NZ$20,000 (paid) covering previous Lodestar expenses. (earns a 20% property interest);
2. The undertaking by the Company (the Operator) of a reverse circulation drilling program of approximately 500 metres, at a cost of no less than NZ$50,000. (earns cumulative 51% property interest);
3. Exploration expenditure by the Company of a further CDN$1,000,000 over a maximum of five (5) years. (earns cumulative 80% property interest); and
4. Should Lodestar elect not to contribute to on-going project funding once the Company has reached the 80% threshold, its interest will be converted to a 7% net smelter royalty.

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. Results are pending.

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 radiometrics survey in January 2011. The data from the surveys are currently being interpreted.

***Other, New Zealand***

***Collingwood Project***

Exploration Permit EP 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 10glt-A geophysical survey of the hard rock prospects, comprising an area of approximately 30 sq km is currently being planned.

***Kirwans Project***

The Kirwans Prospecting Permit application covers an area of approximately 8,840 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 in the second quarter of 2011.

***Mangalisa Property, South Africa***

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.

On April 8, 2010, the Company executed an agreement with Minco Mineral Holdings (Pty) Limited (“Minco”) whereby Minco has 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. The Company holds a 74% direct interest in TMT and a further 13% indirect interest. If Minco expends the full USD$10,000,000 the Company’ direct and indirect interest in TMT will be reduced to 20.4% (7.4% directly and 13% indirectly).

The Company's objective, through the Minco agreement, 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. Minco's field program is being financed by Goldcorp Inc. (a private company incorporated under the laws of Guernsey), a wholly owned subsidiary of Minco. The program is being managed by Kernow Exploration of Randburg, South Africa, a subsidiary of Minco.

Minco's exploration plans call 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. At least one hole will be drilled to a depth of 2,500m to intersect the basal reefs being exploited by Harmony Gold at the nearby Masimong Gold Mine. Each target hole will consist of a mother hole plus 4 or more deflections to produce multiple reef intersections. After completion the holes will be surveyed and then logged by wireline geophysical logging techniques that include downhole radiometrics.

During the year ending July 31, 2010, 2 of the 8 mother holes had been completed to the level of the Erfenis Reef horizon, and the drilling of the deflections was underway. Confirmation of the reef intersections is awaiting detailed stratigraphic logging of the core, and assay results. The Company expects to release results from the drilling program once the reef intersections are verified, and all of the assays have been received.

The current drilling program is expected to be complete by September 2011.

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.

**Results of operations**

During the six month period ended January 31, 2011, the Company incurred:

a) consulting fees of $52,785 (2010 - $54,723).
b) filing and transfer agent expenses of $6,845 (2010 – $9,363). The decrease was a result of decreased news releases during the current period.
c) professional fees of $60,393 (2010 – $150,504). The decrease was primarily due to lower legal fees.
d) stock-based compensation of $753 (2010 - $127,029). Stock-based compensation in the current period was for options vested during the current period.
e) travel expenses of $Nil (2010 - $56,853). There was no travel expense in the period ended January 31, 2011.
f) a write-off of a loan receivable of $Nil (2010 - $10,673) to Pamodzi Gold Limited, a corporation that was put into receivership.

During the three month period ended January 31, 2011, the Company incurred:

a) consulting fees of $26,379 (2010 - $33,823).
b) filing and transfer agent expenses of $4,422 (2010 – $2,990).
c) professional fees of $24,396 (2010 – $102,276). The decrease was primarily due to lower legal fees.
d) stock-based compensation of $91 (2010 - $1,905). Stock-based compensation in the current period was for options vested.
e) travel expenses of $Nil (2010 - $25,718). There was no travel expense in the current period.

**Summary of quarterly results**

| | Three Months Ended January 31, 2011 | Three Months Ended October 31, 2010 | Three Months Ended July 31, 2010 | Three Months Ended April 30, 2010 |
|---|---|---|---|---|
| Total assets | $ 2,824,649 | $ 2,829,567 | $ 2,572,217 | $ 2,359,216 |
| Mineral properties and deferred costs | 2,056,247 | 1,878,581 | 1,798,880 | 1,603,077 |
| Working deficiency | (796,047) | (511,746) | (688,591) | (597,116) |
| Shareholders' equity | 1,870,609 | 1,987,254 | 1,725,651 | 1,596,110 |
| Net and comprehensive loss | (116,736) | (121,561) | (290,972) | (220,723) |
| Basic loss per share | (0.00) | (0.00) | (0.01) | (0.01) |
| Diluted loss per share | (0.00) | (0.00) | (0.01) | (0.01) |

| | Three Months Ended January 31, 2010 | Three Months Ended October 31, 2009 | Three Months Ended July 31, 2009 | Three Months Ended April 30, 2009 |
|---|---|---|---|---|
| Total assets | $ 2,361,545 | $ 2,894,969 | $ 2,375,296 | $ 3,181,940 |
| Mineral properties and deferred costs | 1,501,353 | 1,652,683 | 1,602,574 | 1,388,276 |
| Working capital | (503,399) | (159,524) | (625,529) | (416,598) |
| Shareholders' equity | 1,595,928 | 2,093,257 | 1,578,034 | 2,450,332 |
| Net and comprehensive loss | (499,234) | (282,801) | (874,359) | (214,740) |
| Basic loss per share | (0.01) | (0.01) | (0.02) | (0.01) |
| Diluted loss per share | (0.01) | (0.01) | (0.02) | (0.01) |

**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.

| | January 31, 2011 | July 31, 2010 |
|---|---|---|
| Working deficiency | $ (796,047) | $ (688,591) |
| Deficit | (16,923,098) | (16,684,801) |

Net cash used in operating activities for the period ended January 31, 2011 was $174,325 compared to net cash used of $334,628 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 used in investing activities for the period ended January 31, 2011 was $224,076 compared to cash used of $167,888 during 2010. The cash utilized by investing activities consists of mineral property acquisition and exploration costs.

Net cash provided by financing activities for the year ended January 31, 2011 was $382,502 compared to cash provided of $672,900 during 2010. The cash provided was from the issuance of shares for cash.

**Capital resources**

During the period ended January 31, 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.

**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.

**Related party transactions**

During the period ended January 31, 2011, the Company entered into the following transactions with related parties:

a) paid or accrued professional fees of $34,850 (2010 - $42,600) to a partnership in which a director has an interest. As at January 31, 2011 an amount of $30,176 (2010 - $20,000) owing was included in accounts payable;

b) paid management fees of $51,000 (2010 - $48,800) to a corporation owned by a director of the Company;

c) paid consulting fees of $34,785 (2010 - $33,784) to a director of a subsidiary;

d) paid administration fees of $5,060 (2010 - $6,000) 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.

**Financial instruments and risk**

The Company's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities and loan payable. 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.

**Fair value**

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

As at January 31, 2011, the carrying amount of current financial assets and liabilities approximated the fair value because of the near maturity of those instruments and the carrying value of the demand non-revolving bridge loan is considered to approximate fair value since it bears interest at current rates for similar types of borrowing arrangements.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Assets | | | |
| Cash | $ 117,373 | $ - | $ - |
| Long-term investment | - | - | 594,639 |

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. At January 31, 2011, the Company had $594,639 in Investments. The Company is exposed to credit risk to the extent that the recoverability of the Investments is unknown.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2011, the Company had current assets of $168,492 (July 31, 2010 - $169,698) to settle current liabilities of $964,539 (July 31, 2010 - $858,289), which include a $708,000 loan that is secured by the Company's investment in Plan Notes. All of the Company's financial liabilities are classified as current and may mature within the next fiscal period.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at, and loan payable with, the financial institutions is subject to floating rate of interest. The interest rate risks on cash and on the Company's loan payable obligations are not considered significant.

(b) Foreign currency risk

The Company has monetary assets and liabilities denominated in foreign currencies and non-monetary assets represented by mineral exploration interests in the Republic of South Africa (ZAR$) and New Zealand (NZ$). The Company could accordingly be at risk for foreign currency fluctuations.

As at January 31, 2011, the Company had the following financial instruments in ZAR$:

| | CAD $ equivalent | ZAR $ |
|---|---|---|
| Cash | 7,005 | 50,178 |
| Accounts receivable | 6 | 40 |
| Accounts payable and accrued liabilities | 46,903 | 335,980 |

As at January 31, 2011, ZAR$ amounts were converted at a rate of ZAR$1 to $0.1396 Canadian dollars.

As at January 31, 2011, the Company had the following financial instruments in NZD$:

| | CAD $ equivalent | NZD $ |
|---|---|---|
| Cash | 3,420 | 4,412 |
| Accounts payable and accrued liabilities | 49,197 | 63,474 |

As at January 31, 2011, NZD$ amounts were converted at a rate of NZD$1 to $0.7751 Canadian dollars.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company is potentially exposed to price risk on its Investments (see below).

**Investments**

| | January 31, 2011 | July 31, 2010 |
|---|---|---|
| Plan Notes | $594,639 | $597,438 |

At January 31, 2011, investments included Master Asset Vehicle II notes received in exchange for Canadian third-party asset backed commercial paper ("ABCP") that was held by the Company.

The market for asset-backed commercial paper not sponsored by banks became illiquid in early August 2007 after issuers were unable to roll over maturing notes. A Pan-Canadian Investors Committee for Third-Party Structured Asset-Backed Commercial Paper (the "Committee) was tasked with overseeing the restructuring of the ABCP. On January 12, 2009, the Ontario Superior Court approved a complicated and controversial deal to swap essentially non-tradable, mortgage-backed debt for new securities. On January 21, 2009, the Committee announced the successful implementation of the restructuring plan. Upon the restructuring old short-term ABCP notes were exchanged for longer-term notes of various classes with maturities that generally approximate those of the assets previously contained in the underlying conduits. The Committee also announced that interest payment in respect of interest accrued since the original liquidity disruption in August 2007 to August 31, 2008 (net of restructuring costs) would be made in two installments based on the ABCP note type.

As part of the Plan, the Company received new notes ("Plan Notes") of various classes issued by trusts referred to as MAVII, including senior notes Class A-1, subordinated notes Class C, and ineligible asset tracking notes Class 13.

Upon the restructuring, the Company received the Plan Notes as follows:

| Notes | Maturity Date (1) | Interest Rate (2) | Face Value, $ | Fair Value Estimate, $ |
|---|---|---|---|---|
| MAV II Class A-1 | July 2056 | BA - 0.5% | 845,153 | 594,639 |
| MAV II Class C | July 2056 | BA + 20% | 26,222 | - |
| MAV II Class 13 (Ineligible Asset Tracking Notes) | March 2014 | | 133,050 | - |
| Total | | | 1,004,425 | 594,639 |

(1) Maturity date reflects legal maturity date. Latest maturity date of underlying assets is December 2016.
(2) BA rate is Canadian dollar Bankers Acceptance interest rate with a maturity of 90 days.

Accounting for the exchange of the ABCP for new notes included removal of the ABCP from the Company's balance sheet and recognition of the new notes at their fair value. The new notes are classified as held-for-trading under the Company's Financial Instruments Policy which requires them to be fair valued at each period end with changes in fair value included in the statement of operations in the period in which they arise. The fair value is determined using a discounted cash flow approach based on the maximum use of inputs observed from the market on reporting dates.

The fair value of the Class A-1 notes was established using a discounted cash flow approach based on the following inputs: the notes will pay interest at a rate 0.5% less than the bankers' acceptance ("BA") rate, prospective buyers of these notes estimated to require premium yields 5% over the BA rate, average maturity of Class A -1 Notes estimated to be 6.5 years. The Class C Notes are subordinated to the Class B Notes with respect to payment of interest and principal, and no amounts will be paid with respect to the Class C Notes until the Class B Notes are repaid in full. The Class C and sub-prime backed Class 13 notes are viewed as highly speculative with regard to ultimate payment of principal at maturity. Accordingly, the Class C and sub-prime backed Class 13 notes are valued at $Nil. In conjunction with the note exchange, the Company received a payment of $58,392 which was its share of the accumulated interest to July 31 2009. The estimated unpaid interest up to the restructuring date of January 21, 2009 is not material and was not included in the Company's fair value calculation. The interest received to July 31, 2009 was accounted for as a reduction of the Company's investment. As a result of the notes exchange, the Company recorded the fair value of its new investments as $583,277 and provision for impairment of $218,531. During the year ended July 31, 2010, the Company repaid interest of $2,948 and adjusted for the increase in fair value of $11,214.

During the period ended January 31, 2011, the Company received interest of $2,799.

There is significant amount of uncertainty in estimating the amount and timing of cash flows associated with these notes. Until an active market develops for the MAV II notes, the fair value will be determined using a discounted cash flow approach based on the maximum use of inputs observed from market conditions on subsequent reporting dates. Therefore, the fair values may change materially in subsequent periods.

In March 2011, the Company sold all of its Plan Notes described above for net proceeds of $752,737and used $708,000 of the proceeds to repay the Loan Payable to the bank.

## Recent accounting pronouncements

*Business Combinations*

In January 2009, the AcSB released Section 1582, which replaces Section 1581 "Business Combinations". It provides the Canadian equivalent to IFRS 3 "Business Combinations". For the Company, this section applies prospectively to business combinations for which the acquisition is subsequent to August 1, 2011. Earlier application is permitted. Section 1582 must be applied together with Section 1601 and Section 1602 if it is implemented before August 1, 2011. This standard is not expected to be adopted prior to the transition to IFRS, and accordingly no impact is expected.

*Consolidated financial statements and Non-Controlling Interests*

In January 2009, the AcSB also released Section 1601 "Consolidated financial statements" and Section 1602 "Non-controlling interest", which replace Section 1600 "Consolidated Financial statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements of the parent, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of IAS 27, "Consolidated and Separate Financial Statements".

For the Company, these sections apply to interim and annual consolidated financial statements relating to the fiscal year beginning on or after August 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. These sections must be applied together with Section 1582 "Business Combinations" if they are implemented for a fiscal year beginning before August 1, 2011. These standards are not expected to be adopted prior to the transition to IFRS, and accordingly no impact is expected.

*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.

<u>Conversion to IFRS</u>

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.

Accounting policies

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.

*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 March 31, 2011 the Corporation has 48,102,439 common shares issued and outstanding and has the following options and warrants outstanding:

| | Number of Shares | Exercise Price | Expiry Date |
|---|---|---|---|
| **Options** | 455,000 | $ 0.25 | May 10, 2011 |
| | 1,400,000* | 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 |
| | 200,000 | 0.12 | September 24, 2014 |
| | 230,000 | 0.215 | April 7, 2015 |
| | 300,000 | 0.185 | June 25, 2015 |
| | 2,090,000 | 0.22 | March 4, 2016 |
| **Total Options outstanding at March 31, 2011** | **7,110,556** | | |
| **Warrants** | 88,320 | 0.25 | April 9, 2011 |
| | 250,000 | 0.45 | April 8, 2012 |
| **Total Warrants outstanding at March 31, 2011** | **338,320** | | |

***** 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 office space as follows:

| | | |
|---|---|---|
| | 2011 | $ 11,386 |
| | 2012 | 16,344 |
| | 2013 | 1,362 |
| | | $ 29,092 |

**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. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in gold and copper exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of resources and reserves and the geology, the possibility that future exploration, development or exploration results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors in the Company's Management Proxy Circular that can be found on the SEDAR website. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of gold and copper; that the Company can access financing, appropriate equipment and sufficient labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

The Company does not have any significant forward-looking statements to disclose. Please refer to the going concern note and risks listed in this MD&A and in the July 31, 2010 consolidated financial statements.

**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.