SUPERIOR MINING INTERNATIONAL CORPORATION
Form 51 – 102F1
Management's Discussion and Analysis
For the Three and Nine Months Ended April 30, 2012

The following Management's Discussion and Analysis ("MD&A"), prepared as of June 22, 2012, should be read in conjunction with the unaudited condensed consolidated interim financial statements of Superior Mining International Corporation (the "Company" or"Superior") for the three and nine months ended April 30, 2012 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("GAAP" or "IFRS"). Previously, the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles ("CAGAAP"). The Company's fiscal 2011 comparatives in this MD&A have been presented in accordance with IFRS. As the Company's IFRS transition date was August 1, 2010, any fiscal 2010 comparative information included in this MD&A has not been restated. This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All figures are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company can be found on SEDAR at www.sedar.com and on the Company's website at superiormining.com.

Company Overview

The Company is a Canadian company incorporated in the Yukon Territory and is listed 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 has been in discussion with several parties on a potential joint venture agreement to fund the phase 3 and follow-up phase 4 drill program.

In New Zealand, the Company has completed exploration programs during the quarter on the 100% owned Victory North and Ross South gold alluvial projects. Auger sampling and stream sediment sampling has been completed and results have been received.

The Company continues to search for opportunities to acquire additional properties. During the quarter, the Company has executed a Farm-In Agreement with a private Australian Company to earn in a 51% interest in the Redcastle Project located some 200 km northeast of Kalgoorlie, Western Australia. The property has potential for gold and nickel. Terms of the agreement require the Company to spend AUD$200,00 over a 24 month period.

Exploration and Evaluation Assets

South Africa

Mangalisa

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 byproduct uranium. The gold and uranium ore has been recovered principally from the Basal Reef (a reef generally less than 1 metre 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 198 square-kilometre Mangalisa license area is situated approximately 20 km to the east of the township of Welkom, and less than 10 km north of Harmony Gold's operating Masimong #5 (formerly Erfdeel) gold mine. The contiguous, highly prospective ground was chosen for its potential to host eastward extensions of the western limb of the Witwatersrand Goldfield in the Welkom District. The lease dimensions contain approximately 18 kilometres of strike potential and approximately 10 kilometres of down-dip potential.

The Company's objective is to evaluate its property area using diamond drilling to determine whether one or more gold enriched reefs occur, and thereafter to determine whether an economic deposit can be established. The Company's exploration plans in conjunction with Minco Mineral Holdings (Pty) Limited ("Minco") called for approximately eight-phase 2 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 Mangalisaproject, 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 had expended the full USD$10,000,000 the Company' 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 phase 2 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 the discovery 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
N.B.PG.1	is the Glencore discovery drill hole where the Company re-entered and completed several deflections from this drillhole.

The Company has now received and reviewed the geological technical report based on the 43-101 format that has incorporated all historic and current drilling with recommendations for the next phase of drilling.

The Company has been active in perusing to invest in the Phase 3 and 4 drill programs to advance the project to a Inferred Resource stage.

Exploration and Evaluation Assets

New Zealand

Victory North

The Company has been issued an Exploration Permit (52251) on ground immediately adjacent to that of the former Victory Gold property on which the Company had previously 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".

Documented historical exploration (Wood, 2003) over the property reports Bangka drilling from the 1930s 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 1980s (Amax Exploration NZ Ltd) focused on the alluvial gold potential of more easterly moraine terraces.

During the first quarter, a field visit was carried out and major landowners were contacted to discuss land access. From these discussions, only one landowner was agreeable for a compensation of NZD$100/hole. The land accessible is approximately 1km long by 600m wide.

Twenty holes were hand augered during the quarter to 2m in a single line 400 to 450m long across the whole width of one property lease on the permit from about 60m above high tide to the highway, with the holes 20 to 25m apart. The sample from 0.5 to 2m below the soil layer was collected and panned to 30 to 130ml volumes (about 50 to 200g) with the size of the panned sample proportional to the black sand content. The aim of this program was to evaluate if any beach sand (strand) leads 1 to 2m thick 20 to 100m wide could lie near surface. The samples represent material deposited on the beach around high tide mark.

The holes probably failed to reach any beach sand gold leads. Hole 21835 returned 51mg/m^3 may have come close and indeed may even have intercepted a lead.

Economic grades of interest need to be at least 100mg/m^3.

Future exploration should first involve drilling lines of holes perpendicular to the present strand at 20 to 25m separations to depths of at least 10m deep and preferably to wavebase (15 to 20m).

Results from the drilling are tabulated below:

All samples were prepared and analysed by aqua regia digest at the SGS Laboratory in Waihi, New Zealand.

Sample number	GPS Coordinates	Interval	Placer Gold
	NZGD49	sampled	grade
	m	m	mg/m^3
21826	E2338657 N5823654	0.5 to 2.0	7.8
21827	E2338636 N5823666	do	5
21828	616 679	do	12
21829	597 687	do	trace
21830	578 693	do	2.8
21831	560 708	do	trace
21832	540 714	do	3.9
21833	524 720	do	12
21834	508 730	do	18
21835	487 742	do	51
21836	467 750	do	6.4
21837	448 762	do	9.3
21838	426 774	do	12
21839	669 643	do	3.3
21840	700 624	do	8.5
21841	724 624	do	2.8
21842	744 615	do	6.7
21843	768 600	do	8.2
21844	787 587	0.5 to 1.1	14
21845	810 576	do	1.6

Ross South

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 withdrawn. The new property (referred to as "Ross South"), located 2.0 km to the south-east of the Victory Gold 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 Ross South 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 placer gold 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 20,000 oz (1887-1898) and 65,000 oz (1989-2004). 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 property.

The Company is considering a future 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, the New Zealand Petroleum and Minerals (NZPM) granted the Company their requested change of conditions to the permit. This is a favorable outcome and allows the Company to conduct exploration programs suitable to the geology of the area and in an orderly time frame.

A land access agreement was executed between the Company and neighboring property owner Mr. Ray Thomas. The agreement now allows for Superior to drive through his property to access sampling sites and future drill targets and thus save on access road earthworks costs.

Limited work was completed during the fourth quarter of fiscal 2011, which includedreading historical geological reports and some mapping was completed at the northern end of the property.

During the quarter, a total of seventeen stream sediments and one rock sample were taken at 50 to 80m spacings in stream beds draining into Jones Creek on the north side of the property over Greenland Greywacke rock. The rock sample was taken as a representative grab over the 1.5m width from the largest of several outcrops of quartz veins.

Results are tabulated below:

Ross South sampling	
Sampno.	Au (ppm)
21882	0.07
21883	<0.01
21884	<0.01
21885	0.02
21886	<0.01
21887	<0.01
21888	<0.01
21889	<0.01
21890	0.02
21891	<0.01
21892	<0.01
21893	<0.01
21894	<0.01
21895	<0.01
21896	<0.01
21897	<0.01
21898	<0.01
21899	0.01

The sample results show:

- Gold present in stream sediments, albeit in low amount, further sampling is needed;
- Gold present in quartz veins;
- Quartz veins occurring in a zone of scattered shear and cleavage at least 700m wide where sites observed average a strike around 140^o and dips of 60^o to vertical.
- The veins contain calcite and are rimmed with chlorite, which suggests the source hot aqueous fluids were capable of carrying gold as an SO_3 complex buffered by CO_2.

All samples were prepared and analysed by fire assay at the SGS Laboratory in Waihi, New Zealand.

Collingwood

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, 2011, Superior consultants visited the property and completed an initial reconnaissance over the Aorere Gold workings. The Company compiled historic data for focusing on prime target areas within the permit. In August, the Company visited the permit and began to negotiate land access with the key property owners. Analytical work was completed to reduce the size of the permit by dropping off non-prospective ground to focus on the areas of interest.

The Company again visited the property in November, 2011. Access was granted to the northern area and several stream sediment samples were panned and returned no gold. Attention was turned to the southern end of the property where several discussions were held with the owners regarding land access.

After no guarantees on gaining access, coupled with the poor results from the northern part of the property, the Company's Board of Directors decided to withdraw from the property due to the limited potential and difficulty with land owners and regulators for land access and development of the project. A surrender report will be written during the next quarter. As a result, the Company has decided not to pursue further exploration on the property, resulting in a write-off of $209,425 during the period ended April 30, 2012.

Victory

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, formerly the Placer 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 Gold 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 was to 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 write-off of $683,518.

Otama

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 write-off of $275,908.

Kirwans

In late 2010, the Company, through a wholly owned subsidiary, applied for a Prospecting Permit. The permit application covered an area of approximately 883sq 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, resulting in a write-off of $39,110.

Australia

Redcastle

On May 4th, 2012 the Company executed a Farm-In/Joint Venture Heads of Agreement with a private Australian Company called Reinhold Resources Limited on their Redcastle property located some 200 km northeast of Kalgoorlie, Western Australia. Under the terms of the agreement, the Company is required to spend AUD$200,000 over a 24 month period to earn a 51% interest.

The property comprises of 13 granted prospecting licences that cover 24km^2 area over the prospective greenstone belt in the Eastern goldfields of Western Australia.

The Redcastle Project lies within the Murrin-Margaret area which is a terrane of low strain greenstones and granitoids bounded by the Keith-Kilkenny lineament to the west and the Laverton Tectonic Zone to the east. There are three main lithological entities within the mapped portion of the project area:

- a greenstone sequence of tholeiite basalts with minor interflow sediments is intruded by gabbro and dolerite sills. The dolerite sills have pyroxenitic or gabbroic bases and quartz rich or more feldspar-rich tops;
- the greenstones have been intruded by weakly porphyritic tonalite and dacite porphyry. The late stage dacite porphyry is confined to the periphery of the tonalite bodies which it intrudes, and the greenstones close to the tonalite contact. Regional metamorphism is lower greenschist facies; and
- tonalite and dacite have been intruded early in the structural evolution of the greenstone belt. They are foliated and folded with the greenstone sequence. Early isoclinal folds have been refolded into broad north trending open folds with an amplitude of about four kilometres.

Gold mineralization is hosted in quartz veined faults and shears where they transect favourable mafic lithologies, in particular dolerite and more specifically quartz dolerite. The intersections of early structures by later cross cutting faults where mafic rocks are present are important sites for gold deposition, as are quartz stockworks in tonalite.

Considerable gold remobilization has occurred with depletion of gold from the laterite surface to a depth of approximately 8 to 15m. Supergene enrichment has occurred near the base of the pallid zone resulting in development of nuggets (as seen from the numerous "patches") and rich supergene gold as previously mined. Much of the early mining selectively targeted material containing these supergene enriched quartz veins, which were mined from between approximately 10 to 20 metres below the Tertiary laterite surface; or down to 11 metres below the present surface.

Geological mapping was completed during the quarter.

The dominant lithology in the greenstone sequence is tholeiitic basalt and associated mafic intrusives.
Quartz veins range up to about 1m thick and are the primary source of the gold.

The lateritic weathering profile is variably exposed. Small areas of lateritic residuum are probably present. Mottled zone, ferruginous saprolite, saprolite and saprock are more widespread. Transported overburden covers much of the northern half of the Redcastle tenements.

Recent soil cover and colluvium obscure much of the Archaean sequence in the southern half of the Tenements. Broad alluvial channels are common in the north.

A soil sampling program was been designed over the property, for an estimated budget of $50,000. This program has been submitted to the regulators for approval.

Results of Operations for the Three Months Ended April 30, 2012

During the three months ended April 30, 2012, the Company had a comprehensive loss of $225,980 (2011 - $134,203). Significant fluctuations occurred in the following categories:

a) Consulting fees of $43,282 (2011 - $25,638). The increase was primarily due to increased consulting fees paid to a third-party.

b) stock-based compensation of $120,175 (2011 - $130,955). Stock-based compensation in the current period was for options vested during the current period; and

c) office, telephone and printing expenses of $13,167 (2011 - $32,445). The decrease was primarily due to decreased rent expense.

d) travel expense of $Nil (2011 - $23,665) because of decreased activities in the quarter.

Results of Operations for the Nine Months Ended April 30, 2012

During the nine months ended April 30, 2012, the Company had a comprehensive loss of $1,086,164 (2011 - $371,276). Significant fluctuations occurred in the following categories:

a) professional fees of $129,034 (2011 – $96,902). The increase was primarily due to accounting and legal fees;

b) stock-based compensation of $518,799 (2011 - $131,708). Stock-based compensation in the current period was for options vested during the current period;

c) write-off of exploration and evaluation assets of $209,425 (2011 - $Nil) during the period as the Company decided not to pursue its Collingwood property;

d) travel expense of $Nil (2011 - $23,665). The decrease is due to decreased activities in the period.

e) bank charges and interest of $287 (2011 - $19,838). The decrease is mainly due to less interest incurred since the loan was repaid in 2011.

Selected Financial 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.

	Nine months ended April 30, 2012	Year ended July 31, 2011	Year ended July 31, 2010 (1)
Net and comprehensive loss for the period	$ (1,086,164)	$ (1,660,971)	$ (1,293,730)
Basic and diluted loss per share	(0.02)	(0.03)	(0.03)
Total assets	1,676,667	1,559,931	2,572,217

(1) Prepared in accordance with CA GAAP

Summary of Quarterly Results

	April 30, 2012	January 31, 2012	October 31, 2011	July 31, 2011
Total assets	$ 1,676,667	$ 1,707,696	$ 1,346,932	$ 1,559,931
Exploration and evaluation assets	1,533,121	1,485,995	1,289,367	1,417,637
Working deficit	(158,311)	(9,070)	(328,679)	(193,323)
Shareholders' equity	1,374,810	1,480,615	964,704	1,228,655
Net and comprehensive loss	(225,980)	(304,960)	(568,799)	(1,295,122)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.03)

	April 30, 2011	January 31, 2011	October 31, 2010	July 31, 2010(1)
Total assets	$ 2,325,602	$ 2,824,649	$ 2,829,567	$ 2,572,217
Exploration and evaluation assets	2,248,998	2,056,247	1,878,581	1,798,880
Working deficit	(134,442)	(796,047)	(511,766)	(688,591)
Shareholders' equity	2,119,362	1,860,110	1,969,001	1,725,651
Net and comprehensive loss	(134,203)	(116,736)	(121,561)	(290,972)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)

(1) Prepared in accordance with CA GAAP

Liquidity and Capital Resources

The Company's cash position as at April 30, 2012 was $107,652, an decrease of $8 from July 31, 2011. As at April 30, 2012, the Company had a working capital deficiency of $158,311 (July 31, 2011 - $193,323).

Net cash used in operating activities for the nine-month period ended April 30, 2012 was $256,680 to net cash used of $409,538 during 2011. 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 nine-month period ended April 30, 2012 was $308,802, compared to cash provided by investing activities of $350,544 during 2011. The cash utilized by investing activities consists of acquisition of exploration and evaluation assets and exploration costs.

Net cash provided by financing activities for the nine-month period ended April 30, 2012 was $565,422 compared to net cash used in financing activities of $62,998 during 2011. The difference was due to loan repayment during 2011.

During the nine-month period ended April 30, 2012, the Company:

a) Completed a non-brokered private placement for aggregate gross proceeds of $583,500 by issuing 5,835,000 units at a price of $0.10 per unit. Each unit consists of one common share and one share purchase warrant exercisable at $1.00 for a period of one year. The Company paid cash share issue costs of $18,078 and issued 54,800 agent warrants exercisable at $0.10 per share.

b) Issued 719,384 common shares at $0.10 to reimburse a firm in which a director of the Company is a partner for $71,938 accounting services rendered in the ordinary course of business.

c) Issued 761,600 common shares at $0.10 to reimburse a company controlled by director of the Company for $71,938 management services rendered in the ordinary course of business.

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

Related Party Transactions

Amounts paid to related parties are as follows:

Nine months ended April 30,	2012	2011
Management and admin. fees paid to a company owned by a director	$ 71,000	$ 86,560
Professional fees paid to a firm in which a director is a partner	67,994	45,550
Exploration and evaluation expenses paid to company owned by the president	144,608	-
Consulting fees paid to a director of a subsidiary of the Company	29,326	34,282
Stock-based compensation (i)	486,815	131,228
	$ 799,743	$ 297,620

(i) Stock-based compensations the fair value of options granted to key management personnel.

The transactions with related parties 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 parties.

The amounts due to the related party included in accounts payable are as follows:

	April 30, 2012	July 31, 2011	August 1, 2010
Due to a firm in which a director has an interest	$ 70,664	$ 66,256	$ 33,072
Due to a company owned by a director	49,080	38,080	-
Due to a company owned by the president	37,967	-	-
	$ 157,711	$ 104,336	$ 33,072

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, reserves 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 13 of the Company's condensed consolidated 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 13 of the Company's condensed consolidatedfinancial 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 properties as exploration results provide further information relating to the underlying value of the properties; and

d) the ability of the Company to identify and successfully acquire additional 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.

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 current and 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 properties or even a loss of a property interest.

Critical Accounting Policies

Reference should be made to the Company's significant accounting policies contained in note 3 of the Company's condensed consolidated interim 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 IFRS 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.

For the period ended April 30, 2012, the Company incurred a net loss of $1,086,164 (2011 - $371,276), had a working capital deficiency of $158,311 (July 31, 2011 - $193,323) and a deficit of $18,861,458 (July 31, 2011 - $17,846,113). 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.

Change in Accounting Policies

These unaudited condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting.* The condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the parent company. These are the Company's third IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ended July 31, 2012. Previously the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies in the financial statements note 3 have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at August 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from Canadian GAAP to IFRS is explained in the financial statements note 18.

New Standards Not Yet Adopted

IFRS 9, *Financial Instruments*, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entitles would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on August 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact on the Company upon implementation of the issued standard.

IFRS 11, *Joint Arrangements*, effective for the Company`s annual reporting period beginning August 1, 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather thanon its legal form. The standard addresses inconsistencies in the reporting of jointarrangements by requiring a single method to account for interests in jointly controlledentities. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities–Non-monetary Contributions by Venturers*.The Company is currently assessing the impact that these standards will have on the Company`s financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*, effective for the Company`s annual reporting period beginning August 1, 2013. This new standard provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and consolidated structured entities.The Company is currently assessing the impact that these standards will have on the Company`s financial statements.

IFRS 13, *Fair Value Measurement*, effective for the Company`s annual reporting period beginning August 1, 2013. This standard defines fair value and sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The Company is currently assessing the impact that these standards will have on the Company`s financial statements.

Outstanding Share Data

As at the date of this MD&A, the Company has 57,566,479 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
	5,250,000	0.12	September 29, 2016
	9,757,500		
Warrants	5,835,000	1.00	November 18, 2012
	54,800	0.10	November 18, 2012
	5,889,800		

Commitment

The Company has committed to rent office space through to August 31, 2012 totalling $1,362 per month.

Changes in Directors and Management

Mr. John Proust resigned as Executive Chairman and Director and Mr. Michael Andrews resigned as director of the Company in Q3.

Off-Balance Sheet Arrangements

The Company currently has no off-balance sheet arrangements.

Cautionary Note Regarding 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", "possible", "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.