SUPERIOR MINING INTERNATIONAL CORPORATION
Form 51 – 102F1
Management's Discussion and Analysis
For the Year Ended July 31, 2013

The following Management's Discussion and Analysis ("MD&A"), prepared as at November 26, 2013 should be read in conjunction with the audited consolidated financial statements of Superior Mining International Corporation (the "Company" or "Superior") for the year ended July 31, 2013 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 originally incorporated in the Yukon Territory, but now continued and registered as incorporated in British Columbia, 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 Australia 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 drilling programs 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 programs.

The Company continues to search for opportunities to acquire additional properties. In May 2012, the Company 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. One shallow drilling program has been completed on the property and a Phase 2 drilling program is pending. The property has potential for gold and nickel. Terms of the agreement require the Company to spend AUD$200,000 over a 24-month period.

Exploration and Evaluation Assets

<u>South Africa</u>

Mangalisa

The mines of the Free State goldfield (the first of which was established in 1949) have collectively produced at least 320 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 km^2 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 1,000 m deep targeting the Erfenis Reef in the immediate area of the PG-1 discovery hole at Mangalisa.

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

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

During the year ending July 31, 2011, six 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 pursuing joint venture partners to invest in the Phase 3 and 4 drill programs to advance the project to an Inferred Resource stage.

During the year ended July 31, 2013, the Company executed an Earn-in Agreement dated December 13, 2012 with Ibhubsei Capital ("Ibhubesi"), a private family investment Company with interests in mineral resources, energy and real estate, based in Johannesburg, South Africa pursuant to which Ibhubesi can acquire up to a 67% interest in the Company's Mangalisa project by paying Superior two cash payments totaling US$2.5M and spending US$5M on exploration within a 24-month period. Subsequent to the year ended July 31, 2013, the agreement was terminated

New Zealand

Victory North

The Company was 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 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".

During the year ended July 31, 2012, the Company decided not to pursue further exploration on the property resulting in a write-off of $114,596.

Ross South

The Company was also issued an Exploration Permit (EP 51688) on ground immediately south of the former Ross property, from which the Company has withdrawn. The 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.

During the year ended July 31, 2012, the Company decided not to pursue further exploration resulting in a write-off of $155,232.

During the year ended July 31, 2013, the Company sold the property for AUD $10,000 (received) plus a retained royalty interest.

The Company retains a sliding scale net smelter return ("NSR") royalty of 7% for year one, 3% for year two and 1% year three on commercial production. After the third anniversary, the NSR royalty becomes Nil.

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 10 g/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 2011, 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. As a result, the Company decided not to pursue further exploration on the property, resulting in a write-off of $223,825 during the year ended July 31, 2012.

Australia

Redcastle

On May 4, 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 24 km^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 15 m. 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 m below the Tertiary laterite surface; or down to 11 m below the present surface.

Geological mapping has been completed with a updated mapping data provided in February 2013. Subsequently to the initial geological mapping, a soil geochemistry sampling program was completed in December 2012. A total of 319 soil samples were collected on a 200 m by 200 m grid pattern over most of the project area (24 km^2). The last 2 km^2 to the northern boundary were not sampled because of a layer of transported overburden masking the area. This area was tested later with shallow drilling.

The soil geochemistry sampling has indicated the background threshold is 2 ppb. There are several anomalous results above this threshold:

- The most significant result received is 102 ppb gold supported by 11 ppb some 280 m to southeast. These two values straddle a NW-trending porphyry dyke up to 100 m wide and 500 m long. Porphyries in the area are well known to contain gold mineralization.

- There are two lower order gold anomalies. The first is an 11 ppb gold anomaly located in the southeastern corner of the tenement (claim) block. This is supported by a 5 ppb gold anomaly 200 m to the east. The second is a 13 ppb gold anomaly that lies near a SSW-trending quart vein that perhaps trends towards an abandoned shaft some 600m to the SSW.

- Other weak anomalies, ranging from 5 to 8 ppb, are scattered through the southern half of the tenement block. Many are associated with metal detector scrapings for alluvial gold.

A follow-up soil geochemistry sampling was carried out on a 25 m by 25 m grid pattern over the 110 ppb gold anomaly. Additional soil geochemistry was completed on a 50 m by 50 m grid pattern over the lower order anomalies. These follow-up sampling programs were undertaken concurrently with the first drilling program on the section of the property to the north overlain with a layer of transported overburden masking the area.

In total, 119 infill soil samples were collected around the gold anomalies highlighted in the December 2012 soil geochemistry program. The infill sampling confirmed the 102 ppb gold anomaly over porphyry from the December 2012 soil sampling program with sample RP399 assaying 208 ppb.

The drilling program was designed to drill through the transported overburden to intersect the bedrock over the most northern 2 km from the property boundary. Granite was intersected under most of the area whereas basalt was intersected over the western portion. A 3 kg sample was collected every 4 m from the transported overburden and then a 3 kg sample was collected one metre into the rock interface. Anomalous gold values were intersected on the western portion. Most significant values returned in are:

Hole No.	**Easting** (m)	**Northing** (m)	**Sample No.**	**From** (m)	**To** (m)	**Au** (ppb)	**Au-Rp1** (ppb)
RPR011	391,200	6,802,000	RP539	4	7	19	21
RPR012	391,600	6,802,000	RP541	4	5	26	28
RPR013	392,000	6,802,000	RP543	4	8	10	
RPR042	391,200	6,801,600	RP717	0	4	10	
RPR042			RP718	4	5	56	60
RPR042			RP719	5	6	53	45
RPR042			RP720	6	9	13	

Gold values assayed in parts per billion (ppb)

A full listing of soil sampling results and drilling results are available on the Company web site (www.superiormining.com).

A deeper phase 2 drilling program is pending, with approval for drilling already obtained from the Australia Department of Mines & Petroleum.

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.

Results of Operations for the Three Months Ended July 31, 2013:

During the three months ended July 31, 2013, the Company had a comprehensive loss of $121,078 (2012 - $371,126). Significant fluctuations occurred in the following categories:

a) Consulting fees of $41,254 (2012 - $21,704) increased primarily due to higher consulting fees accrued to a director of a subsidiary of the Company (refer to "Related Party Transactions").

b) Share-based payment of $23,663 (2012 - $29,295) decreased as the Company granted less stock options during the current period.

c) Professional fees of $58,396 (2012 - $37,347) increased as a result of higher accounting and legal fees during the current period.

Results of Operations for the Year Ended July 31, 2013

During the year ended July 31, 2013, the Company has a comprehensive loss of $376,339 (2012 - $1,470,865). Significant fluctuations occurred in the following categories:

a) Share-based payment of $87,779 (2012 - $548,094) decreased as the Company granted fewer stock options during the current year.

b) Office, telephone and printing expense of $22,519 (2012 - $65,455) decreased primarily as a result of lower operating activities during the current year.

c) Write-off of exploration and evaluation assets of $Nil (2012 - $493,653) decreased as none of the exploration and evaluation assets were abandoned during the current year.

d) Professional fees of $144,130 (2012 - $166,381) decreased as a result of lower accounting and legal fees during the current year.

e) Management fees of $Nil (2012 - $68,000) decreased as the Company did not pay or accrue any fees to directors and officers of the Company during the current year.

f) Consulting fees of $98,678 (2012 - $112,312) decreased primarily as a result of less consultants contracted during the current year.

Selected Annual Information

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

	2013	2012	2011
Net and comprehensive loss for the year	$ (376,339)	$ (1,470,865)	$ (1,660,971)
Basic and diluted loss per share	(0.01)	(0.03)	(0.04)
Total assets	1,659,566	1,330,805	1,559,931

Summary of Quarterly Results

	July 31, 2013	April 30, 2013	January 31, 2013	October 31, 2012
Total assets	$ 1,659,566	$ 1,621,511	$ 1,499,233	$ 1,361,063
Exploration and evaluation assets	1,589,312	1,538,095	1,406,154	1,338,550
Working deficit	(849,882)	(709,836)	(532,683)	(370,865)
Equity	739,430	828,259	857,695	967,685
Loss and comprehensive loss	(121,078)	(52,532)	(117,192)	(85,537)
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.00)

	July 31, 2012	April 30, 2012	January 31, 2012	October 31, 2011
Total assets	$ 1,330,805	$ 1,676,667	$ 1,707,696	$ 1,346,932
Exploration and evaluation assets	1,283,408	1,533,121	1,485,995	1,289,367
Working deficit	(264,004)	(158,311)	(9,070)	(328,679)
Equity	1,019,404	1,374,810	1,480,615	964,704
Loss and comprehensive loss	(371,126)	(225,980)	(304,960)	(568,799)
Basic and diluted loss per share	(0.01)	(0.00)	(0.01)	(0.01)

Liquidity and Capital Resources

The Company's cash position as at July 31, 2013 was $56,072, an increase of $33,458 from July 31, 2012. As at July 31, 2013, the Company had a working capital deficiency of $849,842 (July 31, 2012 - $264,004).

Net cash used in operating activities for the year ended July 31, 2013 was $77,955 compared to $328,161 during 2012. The cash utilized by operating activities for the year consists primarily of the operating expenses and changes in non-cash working capital.

Net cash used in investing activities for the year ended July 31, 2013 was $90,704 compared to $322,245 during 2012. The difference was primarily due to a decrease in exploration and evaluation expenditures.

Net cash provided by financing activities for the year ended July 31, 2013 was $200,000 compared to $565,422 during 2012. The net cash provided in the current year consisted of proceeds from issuance of convertible debentures while the net cash provided in the comparative year consisted of proceeds from issuance of common shares.

During the year ended July 31, 2013, the Company issued convertible debentures for an aggregate principal amount of $200,000 of which $150,000 was received from directors of the Company (refer to "Related Party Transactions"). The debentures bear interest of 12% per annum, payable upon maturity at November 28, 2013 and may be converted to common shares at anytime at a conversion of $0.10 per common share. Each $100 debentures included 1,000 share purchase warrants exercisable at $0.10 for a period of one year. These warrants were valued at $3,922 using the Black-Scholes option pricing model and recorded as financing fees in the statement of comprehensive of loss and also in reserves.

Related Party Transactions

Amounts paid or accrued to related parties are as follows:

For the year ended July 31,		2013	2012
Key Management:			
A director of a subsidiary of the Company	Consulting	$ 64,717	$ 53,468
Directors and officers	Share-based payments (i)	73,198	355,415
		$ 137,915	$ 408,883
Related Parties:			
A firm in which the CFO is a partner	Professional fees	$ 82,250	$ 83,844
A company owned by a director	Management/Administration	-	71,000
A company owned by the CEO	Exploration expenditures	144,000	144,000
		$ 226,250	$ 298,844

(i) Share-based payment is the fair value of options granted and vested to key management personnel.

The amounts due to the related parties included in accounts payables and accrued liabilities are as follows:

	July 31, 2013	July 31, 2012
Due to a firm in which the CFO is a partner (ii)	$ 174,291	$ 88,416
Due to a company owned by a director (ii)	11,000	11,000
Due to a director of a subsidiary of the Company	31,710	-
Due to a company owned by the CEO	213,039	60,803
	$ 430,040	$ 160,219

(ii) During the year ended July 31, 2013, the Company did not issue any shares to reimburse related parties. During the year ended July 31, 2012, the Company issued 719,384 and 761,600 common shares at $0.10 to reimburse a firm in which a director of the Company is a partner and a company controlled by a director of the Company for $71,938 of accounting services and $76,160 of management services respectively.

During the year ended July 31, 2013, the Company received an aggregate amount of $150,000 from the directors of the Company for convertible debentures and issued 1,500,000 warrants as part of the debt agreement.

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 (i.e. capital stock, reserves, equity portion of convertible debentures 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 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 11 of the Company's 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 11 of the Company's unaudited condensed consolidated financial statements. The additional risks to which the Company is exposed are described below.

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

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

a) the state of capital markets, which will affect the ability of the Company to finance further mineral property acquisitions and expand its contemplated exploration programs;

b) the prevailing market prices for base metals and precious metals;

c) the consolidation and potential abandonment of the Company's 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 consolidated 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 year ended July 31, 2013, the Company incurred a loss of $376,339 (2012 - $1,470,865), had a working capital deficiency of $849,882 (2012 - $264,004) and a deficit of $18,674,070 (2012 - $18,957,310). 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 substantial 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

<u>New and amended standards adopted by the Company</u>

i) Amendments to IAS 12, *Income Taxes*, which removed some subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduced a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. There was no impact to the Company arising from the adoption of this standard.

ii) Amendments to IAS 1, *Presentation of Financial Statements* require items to be grouped in other comprehensive income based on whether those items are potentially reclassifiable to profit or loss subsequently. The application of these amendments has not had any material impact on current and prior periods disclosures but may affect disclosures for future transactions

iii) Amendments to IFRS7, *Financial Instruments: Disclosures* that were issued by the IASB. The application of these amendments have not had any material impact on current and prior period's disclosure but may affect disclosure for future transactions on arrangements.

New or revised standards and amendments to existing standards not yet effective

The Company has not applied the following new or revised standards that have been issued but are not yet effective at July 31, 2013:

i) Effective for annual periods beginning on or after January 1, 2013
   - New standard IFRS 10, *Consolidated Financial Statements*
   - New standard IFRS 11, *Joint Arrangements*
   - New standard IFRS 12, *Disclosure of Interests in Other Entities*
   - New standard IFRS 13, *Fair Value Measurement*
   - Reissued IAS 27, *Separate Financial Statements*
   - Reissued IAS 28, *Investments in Associates and Joint Ventures*

ii) Effective for annual periods beginning on or after January 1,2 013
   - Amendments to IAS 31, *Financial Instruments: Presentation*

iii) Effective for annual periods beginning on or after January 1, 2015
   - New standard IFRS 9, *Financial Instruments, Classification and Measurement*

The Company is currently assessing the impact that these standards will have on the Company's consolidated financial statements. The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

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	Exercise Price	Expiry Date
Options	100,000	$ 0.05	May 28, 2014
	3,180,000	0.12	September 29, 2016
	4,500,000	0.10	May 22, 2018
	7,780,000		
Warrants	2,000,000	$ 0.10	November 28, 2013

Changes in Directors and Management

Subsequent to July 31, 2013, Harry Atkinson resigned from the Board of Directors.

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.