SUPERIOR GOLD INC.

Condensed Consolidated Interim Financial Statements

March 31, 2021

(Unaudited - Expressed in thousands of United States dollars)

SUPERIOR GOLD INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in thousands of United States Dollars)

		March 31, 2021		December 31, 2020
ASSETS				
Current assets				
Cash and cash equivalents	$	17,908	$	17,294
Receivables and other assets		2,318		4,275
Inventories (note 6)		9,033		8,797
Total current assets		29,259		30,366
Non-current assets				
Mining interests; exploration and evaluation assets; and property, plant and equipment (note 7)		77,958		78,800
TOTAL ASSETS	$	107,217	$	109,166
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	15,098	$	15,583
Current portion of deferred revenue (note 9)		1,975		3,919
Current portion of derivative financial instruments (note 10)		414		2,156
Short-term loan (note 8)		625		1,194
Current portion of lease obligation (note 17)		2,933		3,085
Current portion of provisions (note 11)		5,766		5,818
Total current liabilities		26,811		31,755
Non-current liabilities				
Lease obligation (note 17)		10,573		10,548
Provisions (note 11)		28,977		29,216
Deferred tax liability (note 16)		556		515
Total non-current liabilities		40,106		40,279
TOTAL LIABILITIES	$	66,917	$	72,034
SHAREHOLDERS' EQUITY				
Share capital (note 14(a and b))	$	62,037	$	62,008
Contributed Surplus		6,549		6,484
Accumulated other comprehensive income (loss)		(1,384)		(931)
Retained deficit		(26,902)		(30,429)
TOTAL EQUITY	$	40,300	$	37,132
TOTAL EQUITY AND LIABILITIES	$	107,217	$	109,166

Commitments and contingencies note 12
The accompanying notes are an integral part of these consolidated financial statements.

SUPERIOR GOLD INC.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited)
(Expressed in thousands of United States Dollars, except per share amounts)

	Three months ended March 31 2021	Three months ended March 31 2020
REVENUES		
Metal sales (note 5)	$ 31,220	$ 26,476
EXPENSES		
Cost of sales	26,920	23,701
Exploration expense	622	644
General and administrative	1,464	1,017
OPERATING INCOME	2,214	1,114
OTHER EXPENSES (INCOME)		
Net finance cost (income) (note 15)	402	1,177
Gain on sale of assets	(5)	-
Change in valuation of royalty payable to Northern Star Resources (note 19)	-	66
Change in valuation of derivative financial instruments (note 10)	(1,743)	3,675
INCOME (LOSS) BEFORE TAXES	3,560	(3,804)
Income and mining tax expense (note 16)	33	32
NET INCOME (LOSS) FOR THE PERIOD	$ 3,527	$ (3,836)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation gain (loss) on foreign operations	(453)	(2,520)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 3,074	$ (6,356)
Income (loss) per share (note 14(e)):		
Basic income (loss) per share	$ 0.03	$ (0.04)
Diluted income (loss) per share	0.03	(0.04)
Weighted average number of common shares outstanding (basic)	121,806,195	97,065,989
Weighted average number of common shares outstanding (diluted)	122,014,008	97,065,989

The accompanying notes are an integral part of these consolidated financial statements.

SUPERIOR GOLD INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in thousands of United States Dollars)

	Note	Number of shares issued	Share capital	Contributed Surplus	Retained earnings	Accumulated other comprehensive income/(loss)	Total
Balance as at January 1, 2020		**96,982,473**	**$ 50,025**	**$ 6,026**	**$ (25,656)**	**$ (2,928)**	**$ 27,467**
Shares for services	14	152,000	82	-	-	-	**82**
Share-based payments	14	-	-	54	-	-	**54**
Total comprehensive loss		-	-	-	(3,836)	(2,520)	**(6,356)**
Balance as at March 31, 2020		**97,134,473**	**$ 50,107**	**$ 6,080**	**$ (29,492)**	**$ (5,448)**	**$ 21,247**
Balance as at January 1, 2021		**121,778,973**	**$ 62,008**	**$ 6,484**	**$ (30,429)**	**$ (931)**	**$ 37,132**
Exercise of stock options	14	50,000	29	(8)	-	-	**21**
Share-based payments	14	-	-	73	-	-	**73**
Total comprehensive income (loss)		-	-	-	3,527	(453)	**3,074**
Balance as at March 31, 2021		**121,828,973**	**$ 62,037**	**$ 6,549**	**$ (26,902)**	**$ (1,384)**	**$ 40,300**

The accompanying notes are an integral part of these consolidated financial statements.

SUPERIOR GOLD INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in thousands of United States Dollars)

	Three months ended March 31 2021	2020
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net Income (Loss) for the period	**$ 3,527**	**$ (3,836)**
Adjustments:		
Depreciation and amortization	**2,527**	**1,825**
Change in valuation of royalty payable to Northern Star Resources	**-**	**66**
Share-based payments	**73**	**54**
Employee provisions expense	**987**	**772**
Net finance (income) cost	**402**	**1,177**
Change in valuation of derivative financial instruments	**(1,743)**	**3,675**
Gain on sale of assets	**(5)**	**-**
Income tax expense (recovery)	**33**	**32**
Gold loan repayments	**(2,210)**	**(1,882)**
Employee provisions paid	**(930)**	**(692)**
	2,661	**1,191**
Net changes in non-cash working capital items:		
Receivables and other assets	**1,948**	**1,163**
Inventories	**(356)**	**621**
Accounts payable and accrued liabilities	**(294)**	**(3,838)**
	3,959	**(863)**
INVESTING ACTIVITIES		
Interest received	**1**	**26**
Expenditures on mineral interests; exploration and evaluation assets; and property, plant and equipment	**(1,585)**	**(1,823)**
Proceeds on sale of assets	**39**	**-**
	(1,545)	**(1,797)**
FINANCING ACTIVITIES		
Issuance of shares	**21**	**-**
Repayment of short-term loan	**(566)**	**(348)**
Repayment of finance lease obligation	**(1,027)**	**(917)**
Interest paid	**(208)**	**(94)**
	(1,780)	**(1,359)**
Effect of exchange rates on cash & cash equivalents	**(20)**	**(1,934)**
Increase (decrease) in cash and cash equivalents	**614**	**(5,953)**
Cash and cash equivalents, beginning of period	**17,294**	**22,232**
Cash and cash equivalents, end of period	**17,908**	**16,279**

The accompanying notes are an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Superior Gold Inc. (the "Company") was incorporated under the Business Corporations Act in Ontario on July 4, 2016 and is engaged in the acquisition, exploration, development and operation of gold resource properties. The address and domicile of the Company's registered office and its principal place of business is 70 University Avenue, Suite 1410, Toronto, Ontario M5J 2M4.

On March 11, 2020, the World Health Organization declared COVID-19 as a global pandemic and therefore the Company is susceptible to the impacts from COVID-19. The duration of the COVID-19 pandemic is currently unknown, as are future measures to reduce the spread of COVID-19. The unpredictable nature of the length of the COVID-19 pandemic and the severity of measures that may be taken is subject to significant variability and accordingly, estimates as to the impact on the Company's financial results in future periods is uncertain. The judgments, inputs and assumptions used as at March 31, 2021 and for the three months ended March 31, 2021, whether related to COVID-19 or otherwise, have been considered and, where appropriate, reflected in the financial statements. The future impact of COVID-19 actions are unknown. To address the risk of the pandemic to the Plutonic Gold Operations, the Company has instituted a number of measures to reduce the potential risk to employees and communities. To date COVID-19 has not had a significantly negative impact on the Company's operations.

The Company is subject to risks and challenges similar to other companies in a comparable stage of operation, exploration and development. These risks include, but are not limited to, losses, successfully raising cash flows through debt or equity markets and the successful operation and development of its mineral property interests to satisfy its commitments and continue as a going concern. The Company believes it will have adequate liquidity for the next 12 months from continuing operations and cash on hand.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These financial statements do not include all the information required for full annual financial statements and therefore should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2020. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Company's financial position and performance since the last annual consolidated financial statements.

The Company has applied the same accounting policies and methods as those described in the annual consolidated financial statements for the year ended December 31, 2020, except as described in note 3.

Basis of measurement

The financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments, share-based payments, and derivative financial instruments which are measured at fair value.

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2020.

(expressed in thousands of United States dollars unless otherwise stated)

Basis of consolidation

These condensed consolidated interim financial statements include the assets, liabilities, revenues and expenses of the Company and its 100% owned subsidiary, Billabong Gold Pty. Ltd. ("Billabong"). Subsidiaries are entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Superior Gold Inc. obtains control of the subsidiary, and continues to be consolidated until the date when such control ceases. All intercompany balances and transactions have been eliminated.

3. NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

There have been no new accounting standards or amendments to accounting standards, effective January 1, 2021 which the Company has adopted.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective:

On April 1, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*. The amendments to IAS 1 clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective from January 1, 2023.

On May 14, 2020, the IASB issued amendments to IAS 16 *Property, Plant and Equipment*. The amendments to IAS 16 require that proceeds derived from items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management be recognized, along with the cost of those items, in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2 *Inventories*. The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

The Company has not yet assessed the impact of the changes to the above standards on the financial statements.

5. METAL SALES

		Three months ended March 31		
		2021		**2020**
Gold sales	$	31,173	$	26,459
Silver sales		47		17
	$	**31,220**	**$**	**26,476**

The Company's main source of revenue is the sale of gold. The sale of gold is transacted with two customers, The Perth Mint and Auramet International LLC ("Auramet"). There are no contract receivables for gold sales as at March 31, 2021 or December 31, 2020.

(expressed in thousands of United States dollars unless otherwise stated)

6. INVENTORIES

	March 31, 2021	December 31, 2020
Consumable stores	$ 5,431	$ 5,106
Stockpiles	106	267
Gold in circuit	3,434	3,351
Dore on hand	62	73
	$ 9,033	**$ 8,797**

The cost of inventories recognized as an expense and included in Cost of sales in the period ended March 31, 2021 and 2020 was $26,909 and $23,689, respectively. During the three months ended March 31, 2021, there were $nil write downs (March 31, 2020 - $nil) of consumables inventory.

7. MINING INTERESTS; EXPLORATION AND EVALUATION; AND PROPERTY, PLANT AND EQUIPMENT

	Mining interests	Property, plant and equipment	Capital work in progress	Total
Cost:				
As at December 31, 2020	$ 92,303	$ 47,626	$ 931	$ 140,860
Additions	982	-	685	1,667
Right of use assets (note 17)	-	1,076	-	1,076
Transfers	-	1,181	(1,181)	-
Disposals	-	(116)	-	(116)
Foreign exchange movement	(1,215)	(651)	(4)	(1,870)
March 31, 2021	92,070	49,116	431	141,617
Accumulated depreciation:				
As at December 31, 2020	39,701	22,359	-	62,060
Depreciation charge	532	1,995	-	2,527
Disposals	-	(83)	-	(83)
Foreign exchange movement	(524)	(321)	-	(845)
March 31, 2021	39,709	23,950	-	63,659
Net book value:				
As at beginning of period	$ 52,602	$ 25,267	$ 931	$ 78,800
As at March 31, 2021	**$ 52,361**	**$ 25,166**	**$ 431**	**$ 77,958**

(expressed in thousands of United States dollars unless otherwise stated)

	Mining interests	Property, plant and equipment	Capital work in progress	Total
Cost:				
As at December 31, 2019	$ 81,696	$ 29,906	$ 247	$ 111,849
Additions	2,224	-	5,471	7,695
Right of use assets (note 17)	-	11,950	-	11,950
Transfers	-	4,891	(4,891)	-
Disposals	-	(3,237)	-	(3,237)
Foreign exchange movement	8,383	4,116	104	12,603
December 31, 2020	92,303	47,626	931	140,860
Accumulated depreciation:				
As at December 31, 2019	33,500	15,467	-	48,967
Depreciation charge	2,568	6,183	-	8,751
Disposals	-	(1,412)	-	(1,412)
Foreign exchange movement	3,633	2,121	-	5,754
December 31, 2020	39,701	22,359	-	62,060
Net book value:				
As at beginning of period	$ 48,196	$ 14,439	$ 247	$ 62,882
As at December 31, 2020	**$ 52,602**	**$ 25,267**	**$ 931**	**$ 78,800**

In the three months ended March 31, 2021 the Company capitalized $nil (December 31, 2020 - $nil) of costs pertaining to the unincorporated Bryah Basin joint venture.

The right-of-use assets will be amortized over the remaining term of the contracts, which is 0.5 to 4.4 years as of March 31, 2021.

8. SHORT-TERM LOAN

The short-term loan of $625 (December 31, 2020 - $1,194) represents amounts owing to two financial institutions which financed the Company's annual insurance premiums. The loans are payable in 10 equal monthly installments commencing in October 2020, terminating in July 2021, bear interest at 2.5% and 3.6%, respectively, and are secured by any proceeds of insurance claims. The 2020 comparative amount represents a loan term of 10 months commencing in October 2019, which was repaid in July 2020 and bore interest at 2.1%.

9. DEFERRED REVENUE

On November 12, 2019, the Company entered into a Senior Secured Gold Loan ("Gold Loan") agreement with Auramet under which the Company received gross proceeds of AUD$15 million before associated costs.

In connection with the Gold Loan with Auramet, the Company:

- Is required to deliver a total of 7,920 ounces of gold over 18 equal monthly instalments beginning on January 30, 2020 and terminating on June 30, 2021.
- Granted Auramet 20,000 gold call options ("Call Options") at strike prices ranging from AUD$2,275 to AUD$2,360 per ounce of gold. These Call Options have expiration dates between July 2020 and December 31, 2021 up to a maximum of 1,500 ounces per month (note 10).
- Entered into a zero-cost collar price protection program with 19,800 puts at a strike price of AUD$1,950 per ounce and 19,800 of calls with strike prices ranging from AUD$2,275 to AUD$2,400 and with maturities on or before December 31, 2020, and
- Agreed to sell a minimum of 80% of its gold production at market prices from the Plutonic Gold Operations to

(expressed in thousands of United States dollars unless otherwise stated)

Auramet for a period that is not less than 6 months following repayment of the Gold Loan.

As at March 31, 2021, 1,320 (December 31, 2020 – 2,640) ounces of gold were deliverable under the Gold Loan, all classified as current. Under the zero-cost collar price protection program, during the twelve-month period ended December 31, 2020, Auramet exercised 19,800 ounces of calls and the Company delivered the ounces to Auramet for proceeds at an average call strike price of AUD$2,333 per ounce of gold.

The Gold Loan is secured by a first priority security interest over all of Billabong, with certain exclusions, an assignment over all pertinent mining leases and a Guarantee from the Company, which is secured by a pledge of its shares of Billabong.

The Company must repay the Gold Loan from proceeds received from any debt issuance, royalty sales, sale of material assets or equity issuance, provided that certain amounts from equity offerings may be exempted with Auramet's consent. In addition, the Company must repay the Gold Loan at the option of Auramet, with reasonable cause, upon a change of control event or if there is a change of any Key Management Personnel of the Company.

The Company is subject to financial covenants requiring it to maintain a total minimum balance of cash, cash equivalents and undrawn lines of credit of AUD$5.0 million and a restriction on additional indebtedness, except for permitted indebtedness as agreed to between the Company and Auramet. The Company is also subject to non-financial covenants, along with a restriction on liens. At March 31, 2021, the Company was in compliance with all covenants.

The table below summarizes the movements in deferred revenue:

Balance, December 31, 2019	**$**	**9,851**
Accretion charge		1,689
Gold loan repayments		(7,894)
Foreign exchange movement		273
Balance, December 31, 2020		**3,919**
Accretion charge		285
Gold loan repayments		(2,210)
Foreign exchange movement		(19)
Balance, March 31, 2021		**1,975**

10. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where available. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2. As at March 31, 2021 and December 31, 2020, all of the Company's derivative financial instruments have been classified as Level 2 financial instruments according to the Company's fair value hierarchy. The fair value of these instruments is determined using the Black-Scholes method.

(expressed in thousands of United States dollars unless otherwise stated)

The Company did not apply hedge accounting on its outstanding derivatives. Therefore, changes in fair value are recorded in the Condensed Consolidated Interim Statement of Income (Loss) and Comprehensive Income (Loss) on a mark to market basis and recorded in financial assets and liabilities. For the three months ended March 31, 2021, the table below summarizes the movements in derivative assets (liabilities):

Balance, December 31, 2019	**$**	**796**
Unrealized (gains)/losses on derivative instruments		1,095
Realized (gains)/losses on derivative instruments		(246)
Foreign exchange movement		511
Balance, December 31, 2020	**$**	**2,156**
Unrealized (gains)/losses on derivative instruments		(1,398)
Realized (gains)/losses on derivative instruments		(345)
Foreign exchange movement		1
Balance, March 31, 2021	**$**	**414**

		Call option maturity
		2021
Call options		
Ounces		15,200
Weighted average price per ounce (in AUD)		$2,342
Fair value – liability (asset) at December 31, 2020	$	2,156
Balance, December 31, 2020	**$**	**2,156**
Ounces		12,800
Weighted average price per ounce (in AUD)		$2,355
Fair value – liability (asset) at March 31, 2021	$	414
Balance, March 31, 2021	**$**	**414**

The fair value of these derivative instruments has been estimated using the Black Scholes option pricing model. The weighted average inputs used in the measurement of fair value of the call options as at March 31, 2021 (December 31, 2020) are disclosed in the following table:

Call options			**As at March 31, 2021**		**As at December 31, 2020**
Number of call options outstanding			12,800		15,200
Expected volatility			16%		16%
Risk free interest rate			0.08%		0.08%
Expected life in years			0.4		0.6
Fair value (weighted average)	**- AUD$**	**$**	**42.57**	**$**	**184.16**
	- U.S. $ (1)	**$**	**32.36**	**$**	**141.84**

(1) At March 31, 2021, the U.S. dollar weighted average exercise price was calculated using the period end Australian to U.S. dollar exchange rate of 0.7602 (December 31, 2020 – 0.7702).

(expressed in thousands of United States dollars unless otherwise stated)

11. PROVISIONS

	March 31, 2021	December 31, 2020
Employee entitlements	$ 5,861	$ 5,880
Rehabilitation	28,882	29,154
Total provisions	$ 34,743	$ 35,034
Current	$ 5,766	$ 5,818
Non-current	28,977	29,216
	$ 34,743	**$ 35,034**

	Employee Entitlements	Rehabilitation	Total provisions
Beginning balance, January 1, 2020	$ 5,072	$ 25,851	$ 30,923
Accretion	-	102	102
Revisions to expected cash flows	2,945	578	3,523
Disbursements	(2,717)	-	(2,717)
Foreign exchange movement	580	2,623	3,203
Balance, December 31, 2020	5,880	29,154	35,034
Accretion	-	4	4
Revisions to expected cash flows	987	105	1,092
Disbursements	(930)	-	(930)
Foreign exchange movement	(76)	(381)	(457)
Balance, March 31, 2021	**5,861**	**28,882**	**34,743**
Current	5,766	-	5,766
Non-current	95	28,882	28,977
Balance, March 31, 2021	**$ 5,861**	**$ 28,882**	**$ 34,743**

(i) Employee entitlements

Employee entitlement obligations cover Plutonic's liability for long service leave and annual leave. The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the annual leave portion of the provision is presented as current, since Plutonic does not have an unconditional right to defer settlement for any of these obligations. Current employee entitlements also include provisions for bonus and Fringe Benefits tax.

(ii) Rehabilitation provision

The Company assesses its mine rehabilitation provision annually. Significant judgment is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate the mine sites, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which the change becomes known. As at March 31, 2021, the mine rehabilitation provision has been discounted using discount rates of 0.1% - 2.5% (December 31, 2020 – 0.1% -1.3%) and the cash flows have been inflated using an inflation rate of 1.3% - 2.4% (December 31, 2020 – 1.3% - 2.4%), payable over the years 2021 to 2036. As at March 31, 2021, the total undiscounted estimated reclamation costs are approximately $25,175 (December 31, 2020 - $25,506). These expenditures are expected to be incurred in Australian dollars.

(expressed in thousands of United States dollars unless otherwise stated)

12. COMMITMENTS AND CONTINGENCIES

Commitments contracted for and contingences at the end of the reporting period not recognized as liabilities are as follows:

	March 31, 2021	December 31, 2020
Property, plant and equipment (i)	$ 477	$ 1,483
Guarantee (ii)	2,471	2,503
	$ 2,948	**$ 3,986**

(i) Capital commitments

In the three months ended March 31, 2021, the Company entered into commitments for milling equipment. These commitments totaled $477 at March 31, 2021 (December 31, 2020 - $1,483).

(ii) Contingencies

The Company signed an agreement with its existing supplier to upgrade its power supply. As a result of completing the power supply upgrade, on or before July 1, 2021, the Company is required to provide a guarantee to the supplier in the amount of $2,471 (December 31, 2020 - $2,503).

(iii) Contingent Consideration

As part of the acquisition of the Plutonic Gold Operations, the Company agreed to pay Northern Star milestone payments ("Milestone Payments") of AUD$2.5 million for every 250,000 ounces of NI 43-101 compliant measured and indicated resources identified at the Plutonic Gold Operations in excess of the 1,717,000 ounces of Joint Ore Reserves Committee 2012 compliant measured, indicated and inferred resources. The aggregate of the Milestone Payments are capped at AUD$10 million.

The fair value of the Milestone Payments was determined to have $nil value as at March 31, 2021 (December 31, 2020 - $nil) as Management had determined that it was uncertain that the threshold outlined in the Acquisition Agreement of 1,717,000 ounces of Joint Ore Reserves Committee 2012 compliant measured, indicated and inferred resources will be reached.

13. FINANCIAL INSTRUMENTS

Fair value

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and short-term loan approximate fair value, due to the short-term maturity of these instruments and are classified as Level 1 in accordance with the fair value hierarchy.

The carrying value of lease obligations approximate fair value as the rate implicit in the lease is not significantly different from market rates and are classified as Level 2 in accordance with the fair value hierarchy. The carrying value of the derivative instruments are valued using pricing models which require the use of observable inputs including market prices and interest rates obtained from or verified with information available to the market, and are therefore classified as Level 2 in accordance with the fair value hierarchy.

(expressed in thousands of United States dollars unless otherwise stated)

The fair value of financial instruments is summarized as follows:

	March 31, 2021		December 31, 2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial Assets				
Held-for-trading				
Cash and cash equivalents	$ 17,908	$ 17,908	$ 17,294	$ 17,294
Loans and receivables				
Trade receivables (excluding HST and GST receivable)	220	220	244	244
Financial Liabilities				
Accounts payable and accrued liabilities	$ 15,098	$ 15,098	$ 15,583	$ 15,583
Short-term loan	625	625	1,194	1,194
Derivative financial instruments	414	414	2,156	2,156
Lease obligations	13,506	13,506	13,633	13,633

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

Letter of guarantee facility

The Company has an amended AUD$2.5 million Guarantee Credit Facility dated November 11, 2019 (the "Credit Facility") with a leading international bank. The Credit Facility permits the Company to issue letters of guarantee for a term of up to 12 months to various suppliers from time to time to support the Plutonic Gold Operations.

The Credit Facility includes an aggregate fee of 3.19% calculated on drawn amounts and is secured by an assignment of a performance security guarantee issued by Export Development Canada ("EDC") in support of the Plutonic Gold Operations. The Credit Facility contains covenants customary for a loan facility of this nature, including limits on indebtedness and change of control. It contains a financial covenant test requiring that the Company maintain a minimum liquidity covenant of AUD$5.0 million. At March 31, 2021 the Company was in compliance with all covenants.

Guarantees have been issued under the Credit Facility as at March 31, 2021 in the amounts of $760, $613 and $152, respectively to secure power and gas supply (December 31, 2020 - $770, $621 and $154, respectively). During the three months ended March 31, 2021, the Company paid $53 in associated fees on the Credit Facility (March 31, 2020 - $36).

14. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

(expressed in thousands of United States dollars unless otherwise stated)

b) Issued and outstanding

	Number of shares		Amount
Balance, January 1, 2020	**96,982,473**	**$**	**50,025**
Shares issued under:			
Issued for Services	152,000		82
Offering (i)	24,644,500		11,901
Balance, December 31, 2020	**121,778,973**	**$**	**62,008**
Shares issued under:			
Exercise of stock options	50,000		29
Balance, March 31, 2021	**121,828,973**	**$**	**62,037**

(i) Offering

On October 29, 2020 the Company completed an offering with 24,644,500 Common Shares being issued, including 3,214,500 Common Shares issued under an overallotment option, on a bought deal basis to a syndicate of underwriters at a price of $0.53 (CAD$0.70) per Common Share, representing aggregate gross proceeds of $12,956 (CAD$17,251). In connection with this offering, the underwriters were paid a 6% commission totaling approximately $777 (CAD$1,035). Share issuance costs of $278 (CAD $365) were incurred in relation to the offering.

c) Warrants

As at March 31, 2021 and December 31, 2020, the Company has outstanding 14,429,521 Warrants issued to Northern Star Resources Inc. with a weighted average exercise price of CAD$1.91 (December 31, 2020 – CAD$1.93) per warrant which expire on February 23, 2022.

d) Share-based payments

(i) Share option plan

Movements in the share options are summarized below:

	Number of options		Weighted average exercise price [1]		Weighted average exercise price (CAD$)
Balance, January 1, 2020	6,691,667	$	0.72	$	0.93
Granted	1,350,000		0.75		0.96
Forfeited	(250,000)		0.79		1.00
Balance December 31, 2020	**7,791,667**	**$**	**0.73**	**$**	**0.94**
Exercised	(50,000)		0.44		0.55
Balance March 31, 2021	**7,741,667**	**$**	**0.75**	**$**	**0.94**

[1] At March 31, 2021, the U.S. dollar weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.7959 (December 31, 2020 – 0.7855).

(expressed in thousands of United States dollars unless otherwise stated)

The fair value of the options granted to employees, officers and directors under the share option plan was measured using the Black-Scholes option pricing model. The grant date fair value is amortized, as part of compensation expense over the vesting period with one third of the Stock Options vesting equally on each of the first, second and third grant date anniversary. The weighted average inputs used in the measurement of fair value for options granted in the period ended December 31, 2020 were:

			2020
Number of share options granted			1,350,000
Expected volatility [1]			61%
Risk free interest rate			0.31%
Estimated forfeiture rate			10%
Expected dividend yield			Nil
Expected life in years			3.5
Fair value (weighted average)	**- CAD$**	**$**	**0.30**
	- U.S. $ [2]	**$**	**0.22**

[1] Expected volatility is measured as the annualized standard deviation of share price returns, based on the historical movements in the price of the Company where sufficient share prices history exists and comparable publicly traded companies considered included in the Company's peer group over the same period as the expected life of the option being valued.

[2] The U.S. dollar weighted average Black-Scholes value was calculated using the spot Canadian to U.S. dollar exchange rate on the date of grant.

Share options outstanding and exercisable at March 31, 2021 are:

	Options outstanding				**Options exercisable**			
Exercise price (CAD$)	Number of options	Weighted average exercise price [1]	Weighted average exercise price CAD$	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price [1]	Weighted average exercise price CAD$	Weighted average remaining contractual life (years)
$0.47	200,000	$0.37	$0.47	4.00	66,667	0.37	0.47	4.00
$0.52	750,000	$0.41	$0.52	3.00	500,000	0.41	0.52	3.00
$0.55	100,000	$0.44	$0.55	3.72	-	-	-	-
$0.55	150,000	$0.60	$0.75	4.12	-	-	-	-
$0.79	250,000	$0.63	$0.79	3.49	83,333	0.63	0.79	3.49
$0.96	50,000	$0.76	$0.96	3.38	16,667	0.76	0.96	3.38
$1.00	5,116,667	$0.80	$1.00	0.93	5,116,667	$0.80	$1.00	0.93
$1.09	1,000,000	$0.87	$1.09	4.34	-	-	-	-
$1.29	125,000	$1.03	$1.29	2.19	83,333	$1.03	$1.29	2.19
$0.91	**7,741,667**	**$0.75**	**$0.94**	**1.87**	**5,866,667**	**$0.76**	**$0.95**	**1.20**

[1] At March 31, 2021, the U.S. weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.7959 (2019 – 0.7855).

(ii) Performance Share Units

Under the omnibus equity plan, Performance Share Units ("PSUs") may be granted to employees of the Company. A PSU represents the right to receive a common share of the Company at vesting, subject to the determination of the Company's Board of Directors.

The number of PSUs that will ultimately vest is based on the Company's share price performance relative to the VanEck Vectors Junior Gold Miners ETF over the term of the applicable PSU performance period. Under the terms of the PSU

(expressed in thousands of United States dollars unless otherwise stated)

Plan, the Board of Directors is authorized to determine whether the performance criteria have been met.

The Company has granted PSUs to certain employees. Each PSU provides the holder with a right to receive common shares upon redemption of the PSU.

	Number of Performance Share Units
Balance January 1, 2020	526,500
Granted	125,000
Expired	(166,666)
Balance December 31, 2020	**484,834**
Expired	(83,333)
Balance March 31, 2021	**401,501**

The PSUs vest over a period of time as established by the Board. The PSUs issued in 2018 vest in two tranches: 83,333 on the second anniversary and 41,667 on the third anniversary, of the grant. The PSUs issued in 2019 vest in three tranches: 83,333 on the first anniversary, 83,333 on the second anniversary and 234,834 on the third anniversary of the grant. The PSUs issued in 2020 vest in one tranche on the third anniversary of the grant. During the three months ended March 31, 2021, 83,333 PSUs expired as the performance condition in respect of the Company's share price performance relative to the VanEck Vectors Junior Gold Miners ETF over the term of the PSU performance period was not met (December 31, 2020 – 166,666).

The fair value of the PSUs granted was calculated using a Monte Carlo model approach. The Monte Carlo model approach requires the use of subjective assumptions including expected share price volatility, risk-free interest rate, and estimated forfeiture rate. Historical data is considered in setting the assumptions. The estimated fair value of PSUs is amortized on a straight-line basis over the related performance period. Under this method, a portion of the fair value of the PSUs is recognized at each reporting period based on the pro-rated number of months the eligible employees are employed by the Company compared to the vesting period of each grant.

The following is a summary of the assumptions used in the Monte Carlo model approach for PSUs granted in the period ended December 31, 2020:

			2020
Number of performance share units granted			125,000
Expected volatility [(1)]			69%
Risk free interest rate			0.29%
Estimated forfeiture rate			0%
Expected dividend yield			Nil
Expected life in years			2.89
Fair value (weighted average)	**- CAD$**	**$**	**0.31**
	- U.S. $ [(2)]	**$**	**0.22**

(1) Expected volatility is measured as the annualized standard deviation of share price returns, based on the historical movements in the price of comparable publicly traded companies considered included in the Company's peer group over the same period as the expected life of the option being valued.

(2) The U.S. dollar weighted average Monte Carlo model value was calculated using the spot Canadian to U.S. dollar exchange rate on the date of grant.

(expressed in thousands of United States dollars unless otherwise stated)

(iii) Restricted Share Units

Under the omnibus equity plan, Restricted Share Units ("RSUs") may be granted to employees of the Company. An RSU represents the right to receive a common share of the Company at vesting.

	Number of Restricted Share Units
Balance December 31, 2020 and March 31, 2021	**50,000**

The RSUs vest over a period of time as established by the Board. The currently issued and outstanding RSUs vest on the third anniversary of the grant, being August 15, 2022. The vesting of the RSUs cannot be deferred by the holder beyond three years from the initial date of grant.

The fair value of RSUs is determined by reference to the Company's share price when the units are awarded. The total fair value of unvested RSUs that will be recognized in future periods amounted to $15 as at March 31, 2021 (December 31, 2020: $18).

(iv) Deferred Share Units

Under the omnibus equity plan, the Company issued Deferred Share Units ("DSU'") to independent directors for the purposes of strengthening the alignment of interests between members of the Board of Directors and shareholders by linking a portion of the annual director compensation to the future value of the Company's common shares. A DSU represents the right to receive a common share of the Company and vest when the director leaves the Board of Directors. DSUs are equity settled. DSUs must be retained until the director leaves the Board of Directors.

	Number of Deferred Share Units
Balance December 31, 2020 and March 31, 2021	**424,656**

The fair value of DSUs is determined by reference to the Company's share price when the units are awarded.

The share-based payments recognized in these financial statements are as follow:

	Three months ended March 31 2021	2020
Equity settled plans		
Cost of sales		
Mining – Share option plans	$ 4	$ 9
Site services – Share option plan	7	3
	11	12
General and administrative		
Share option plan	50	24
Performance share units	9	15
Restricted share units	3	3
	62	42
	$ 73	**$ 54**

(expressed in thousands of United States dollars unless otherwise stated)

e) Earnings per share

The following table details the weighted average number of common shares outstanding for the purpose of computing basic and diluted earnings (loss) per share:

Number of common shares	Three months ended March 31 2021	Three months ended March 31 2020
Basic weighted average shares outstanding	121,806,195	97,065,989
Weighted average shares dilution adjustments:		
Share options	207,813	-
Deferred Share Units	-	-
Performance Share Units	-	-
Restricted Share Units	-	-
Warrants	-	-
Diluted weighted average shares outstanding	**122,014,008**	**97,065,989**

The Company excludes from the diluted weighted average number of common shares all rights that, if exercised, would result in an anti-dilutive adjustment to the income (loss) per share calculation. Dilutive share options were determined using the Company's average share price for the period, resulting in 7,533,855 share options being excluded from the calculation of diluted earnings per share for the three months ended March 31, 2021 (three months ended March 31, 2020 – nil). For the three months ended March 31, 2021, the average share price used was $0.51 (CAD$0.64) (three months ended March 31, 2020 - $0.50 (CAD$0.67)).

15. NET FINANCE (INCOME) COSTS

	Three months ended March 31 2021	Three months ended March 31 2020
Accretion of provisions	$ 4	$ 56
Accretion on Gold loan	285	726
Lease finance charges	208	94
Interest income	(1)	(26)
Foreign exchange (gain)/loss	(94)	327
	$ 402	**$ 1,177**

16. TAXES

The Company estimates the effective tax rate expected to be applied for the full fiscal year and uses this rate to determine income provisions in interim periods. The impact of changes in judgments and estimates concerning the probable realization of losses, changes in tax rates, and foreign exchange rates are recognized in the interim period in which they occur.

The tax expense (recovery) for the three months ended March 31, 2021 was $33 (March 31, 2020 – $32).

17. LEASE OBLIGATION

Right-of-use assets

The Company classifies right-of-use ("ROU") assets as an asset either explicitly specified in the contract or implicitly specified at the time it is made available for use by the Company. In conjunction, the Company controls either directly or indirectly the operation of that asset, as well, derives substantially all the economic benefits from use of the asset.

(expressed in thousands of United States dollars unless otherwise stated)

The following ROU assets have been included within the Mining interests; exploration and evaluation assets; and property, plant and equipment section of the consolidated financial statements (note 7):

Cost:		
December 31, 2019	$	11,774
ROU asset additions		11,950
Disposals		(2,106)
Foreign exchange movement		1,906
December 31, 2020		23,524
Accumulated depreciation		
December 31, 2019		5,624
Depreciation charge		3,640
Disposals		(761)
Foreign exchange movement		907
December 31, 2020		9,410
As at December 31, 2020	**$**	**14,114**

Cost:		
December 31, 2020	$	23,524
ROU asset additions		1,076
Foreign exchange movement		(321)
March 31, 2021		24,279
Accumulated depreciation		
December 31, 2020		9,410
Depreciation charge		1,191
Foreign exchange movement		(140)
March 31, 2021		10,461
As at March 31, 2021	**$**	**13,818**

Amounts recognized in the Consolidated Statement of Income (loss) and Comprehensive Income (loss)

Interest expense on lease obligations for the three months ended March 31, 2021 was $191 (March 31, 2020 - $87). Total cash outflow for leases for the three months ended March 31, 2021 was $1,218 (March 31, 2020 - $1,033), including $nil (March 31, 2020 - $29) for short-term leases. Expense relating to variable lease payments not included in the measurement of the lease liability was $261 for the three months ended March 31, 2021 (March 31, 2020 - $206). Expenses for leases of low-dollar value items are not material.

The Company has certain contracts that are based on variable measures, and not fixed payments. These contracts include measures such as tonnes mined, or metres developed, which exempt the contracts from recognizing the ROU asset or lease liability.

18. CAPITAL MANAGEMENT

The Company's objective when managing capital is to ensure the Company continues as a going concern by ensuring it has an appropriate amount of liquidity and that it has an appropriate capital structure. Management monitors the amount of cash, undrawn (or potentially available) financing, equity in the capital structure and adjusts the capital structure, as necessary, to support the operation, development and exploration of its projects. As at March 31, 2021, the Company's current assets of $29,259 exceeded its current liabilities of $26,811. The Company believes it will have adequate liquidity from continuing operations and cash on hand.

In order to ensure there is adequate liquidity and an appropriate capital structure, the Company may issue new equity, repay debt, issue new debt, draw on credit facilities or sell assets.

The Board of Directors has not established criteria for quantitative return on capital for management, but rather relies on the expertise of management to sustain future development of the business. The Company considers its capital to be shareholders' equity, which amounted to $40,300 at March 31, 2021 (December 31, 2020 - $37,132).

19. PLUTONIC GOLD OPERATIONS ACQUISITION

As part of the Acquisition of the Plutonic Gold Operations, the Company agreed to pay Northern Star a 2% net smelter return royalty on future gold recovered from the Plutonic Gold Operations in excess of a cumulative 300,000 ounces. The royalty was to terminate on the earlier of; (i) the date that a cumulative AUD$10 million is paid to Northern Star under the royalty, or (ii) gold in excess of a cumulative 600,000 ounces being produced (the "Northern Star Royalty"). The Company also had the right to purchase the Northern Star Royalty back from Northern Star for a purchase price of AUD$6.5 million at any time before the expiry of 30 days after the date the royalty first becomes payable. On December 18, 2020, the Company exercised its right to acquire the royalty and made a payment of $4,748 (AUD$6.5 million) to Northern Star.