



**SUPERIOR  
GOLD INC.**

## **Management's Discussion and Analysis**

For the three months ended March 31, 2021

May 10, 2021

(Expressed in thousands of United States dollars, except where  
otherwise indicated)

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

### Notes

This Management's Discussion and Analysis ("MD&A") dated May 10, 2021, should be read in conjunction with Superior Gold's unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2021 and 2020 ("interim financial statements") which are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). As these interim financial statements do not contain all note disclosures required under International Financial Reporting Standards ("IFRS"), they should be read in conjunction with the Company's annual audited financial statements and Management's Discussion and Analysis for the year ended December 31, 2020. All dollar figures stated herein are expressed in thousands of United States dollars ("U.S. dollars"), except for per share or per ounce amounts or unless otherwise specified. The Company's public filings can be viewed on the SEDAR website ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.superior-gold.com](http://www.superior-gold.com)).

The following discussion contains forward-looking information that involves numerous risks and uncertainties. Actual future results could differ materially from those discussed in such forward-looking information as a result of these risks and uncertainties. Refer to the cautionary language at the end of this MD&A.

### Description of the Business

Superior Gold Inc. (the "Company" or "Superior Gold") is a Canadian based gold producer that owns and operates the Plutonic Gold Operations located in Western Australia. The Plutonic Gold Operations include the Plutonic Gold Mine (which is a producing underground operation), the Hermes Gold Mine (which includes open pits at Hermes and interests in tenements within the Bryah Basin joint venture ranging from 70%-80%), and a central mill (located at the Plutonic Gold Mine).

### First Quarter Highlights

- Net income for the period was \$0.03 per share and adjusted net income was \$0.01 per share as a result of positive operating results and mark-to-market gains on the gold call options (issued in connection with the gold loan ("Gold loan"))
- Production of 17,603 ounces, an 8% increase over the comparative quarter of 2020
- Sold 17,538 ounces of gold at total cash costs<sup>1</sup> of \$1,386 per ounce sold and all-in sustaining costs<sup>1</sup> of \$1,510 per ounce sold, negatively impacted by the continued strengthening of the Australian dollar and below the realized gold price<sup>1</sup> of \$1,777 per ounce
- Cash flow from operations, after working capital changes, of \$6,169 excluding the repayment of \$2,210 to Auramet International LLC ("Auramet") under the gold loan, exiting the quarter with a strong financial position of \$17.9 million in cash and cash equivalents
- Recorded zero incidences of COVID-19 infection for a fifth consecutive quarter

<sup>1</sup>Refer to the Non-IFRS Performance Measures disclosure included in this MD&A for a description and calculation of these measures.

## Impact of COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic related to COVID-19. The COVID-19 pandemic is still impacting business worldwide and current measures to combat the spread are vastly different depending on the location of an entity's operations. 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 condensed consolidated interim financial statements. The future impact of COVID-19 actions as at March 31, 2021 are unknown.

To date COVID-19 has not had a significantly negative impact on the Company's operations. To address the risk of the pandemic to the Plutonic Mine, the Company instituted a number of measures to reduce the potential risk to employees and communities, which includes steps to mitigate the effects of potential supply chain disruptions.

The Company has had no reported incidences of infection from COVID-19 to date.

With respect to supply chain considerations, the Company has not experienced any disruptions with regards to its supply chain as a result of COVID-19 and continues to operate in a pre-COVID-19 manner albeit with an increase in inventories of critical consumables. The Company continues to work with its suppliers to ensure the ongoing availability of critical supplies. As a precautionary measure, the Company has established an inventory of key supplies at site.

The Company's revenue stream has not been negatively impacted by COVID-19 to date and therefore has not been subject to emergency government measures to support the Company or its workers. The Company continues to monitor actions taken by governments in Australia and Western Australia to develop plans to access any benefits that may become applicable or to react to any restrictions imposed.

To date, the Company's ability to meet its borrowing and leasing obligations have not been impacted by COVID-19 and the Company is not subject to concessions nor has it received permission to defer payments, at this time. Credit markets remain open and as a gold producer, management believes it has access to additional credit should it become necessary, at costs that are not prohibitive.

The Company is in compliance with all covenants, as of the date of this MD&A. Barring further negative impacts of COVID-19, the Company currently has no plans to renegotiate covenants. There is no guarantee that the Company would be successful in renegotiating covenants should the need arise.

## Key Business Developments

### Plutonic Gold Operations

The Plutonic Gold Mine is located in the Archaean Plutonic Marymia Greenstone Belt and has been in continuous production since 1990, having produced over 5 million ounces of gold from both open pit and underground mining.

The Hermes Gold Mine (“Hermes”) is located approximately 65 kilometres south-west of the Plutonic Gold Mine. It includes the wholly-owned Hermes open pits and the 80% interest in the Hermes South open pit project 20 kilometres south-west of the Hermes open pits.

The Company continues to advance other open pit opportunities near the mill, including the main pit pushback project where the Company announced positive results from an independent preliminary economic assessment filed on December 30, 2020 and also developing the best long-term open pit operational scenario for Hermes and Hermes South.

#### ***Quarterly performance summary***

The Plutonic Gold Operations produced and sold 17,603 and 17,538 ounces of gold, respectively, for the first quarter of 2021. Total cash costs<sup>1</sup> of \$1,386/ounce sold and all-in sustaining costs<sup>1</sup> of \$1,510/ounce sold were below the realized gold price<sup>1</sup> of \$1,777/ounce for the three-month period ending March 31, 2021. In comparison, 16,351 and 16,850 ounces of gold were produced and sold, respectively for the first quarter of 2020. Total cash costs<sup>1</sup> of \$1,291/ounce sold and all-in sustaining costs<sup>1</sup> of \$1,416/ounce sold were below the realized gold price<sup>1</sup> of \$1,570/ounce for the three-month period ending March 31, 2020.

Total cash costs<sup>1</sup> and all-in sustaining cash costs<sup>1</sup> increased over the prior period primarily as a result of the strengthening of the Australian dollar relative to the U.S. dollar in comparison to the first quarter of 2020. The Company generated net cash from operations after working capital changes of \$6,169 for the three months ending March 31, 2021, excluding the repayment of \$2,210 under the Gold loan.

#### **Exploration Activities**

The first quarter of 2021 marked a significant ramp-up in Exploration activity reflecting the Company’s renewed commitment to organic growth and opening new mining fronts. During the three months ended March 31, 2021, the Company operated three underground diamond drilling rigs with 19,264 metres of drilling completed. Of the total, 13,386 metres were drilled for grade control and stope design while 5,878 metres were for reserve and resource expansion, an increase of 66% to the prior quarter. The Company is focused on reserve and resource expansion by completing in-fill drilling and exploration drilling of new mining fronts, specifically the Western Mining Front and the Baltic Gap.

Total expenditures for the first quarter were \$1,018, of which \$622 was expensed and \$396 was capitalized to mining interests. Total expenditures for the comparative 2020 quarter were \$1,274, of which \$644 was expensed and \$630 was capitalized to mining interests.

#### **Outlook**

The Company intends to continue to focus on establishing the Plutonic Gold Operations as a gold producer capable of producing at least 100,000 ounces of gold annually. To achieve this goal, the Company intends to continue:

- Targeting mine exploration programs to open new fronts and reduce reliance on remnant mining
- Improving mining practices to lower costs and increase production
- Increasing operational efficiencies
- Optimization of the global resource model
- Advancing open pit opportunities close to the mill

<sup>1</sup>Refer to the Non-IFRS Performance Measures disclosure included in this MD&A for a description and calculation of these measures.

The Company maintains its 2021 production guidance as summarized in the table below.

2021 Guidance	Guidance (January 18, 2021)
Production (oz of Gold)	65,000 - 75,000
Cash Costs (\$/oz) <sup>1</sup>	\$1,350 - \$1,450
All In Sustaining Costs (\$/oz) <sup>1</sup>	\$1,500 - \$1,600

Note: January 18, 2021 guidance is based on an estimated Australian to U.S. dollar exchange rate of 0.73.

### Summary of Operational Results

	Three Months ended March 31	
	2021	2020
Stope material mined (000's t)	137	121
Stope grade mined (g/t)	3.54	3.34
Development ore mined (000's t)	50	61
Development grade mined (g/t)	1.30	2.36
Underground ore milled (000's t)	202	190
Underground grade milled (g/t)	2.83	2.89
Other ore milled (000's t)	154	176
Other ore grade milled (g/t)	0.41	0.42
Total ore milled (000's t)	356	366
Grade milled (g/t)	1.8	1.7
Gold recovery (%)	86	82
Gold produced (oz)	17,603	16,351
Gold sold (oz)	17,538	16,850
Total cash costs (\$/oz) <sup>(1)</sup>	1,386	1,291
All-in sustaining costs (\$/oz) <sup>(1)</sup>	1,510	1,416
Realized gold price (\$/oz) <sup>(1)</sup>	1,777	1,570

### Quarterly operational results

The Plutonic Gold Operations produced, 17,603 ounces of gold in the three-month period ending March 31, 2021 as compared to 16,351 ounces of gold in three-month period ending March 31, 2020. The increase is largely a result of an increase in the contribution of higher grade Stope material that reduced the proportion of lower grade legacy stockpiles being milled.

Total material milled during the three months ended March 31, 2021 decreased by 3% to 356 thousand tonnes compared to the same period in 2020, partially as a result of processing fewer tonnes from low grade legacy stockpiles in the first quarter of 2021 as the legacy stockpile processed included oxide ore material which required the mill to operate at a slightly reduced throughput rate. Head grade increased from 1.7 g/t to 1.8 g/t primarily as a result of the greater proportion of higher grade Stope material being milled in comparison to the three months ended March 31, 2020. Recovery rates improved as a result of the higher grades and the finalization of the re-commissioning of the gravity circuit, rising from 82% to 86% in the three months ended March 31, 2021 compared to the prior quarterly period.

Gold sold increased by 688 ounces to 17,538 during the three months ended March 31, 2021 versus the comparative period in 2020. The 4% increase was primarily due to the higher tonnages of higher grade Stope material milled from the underground operations that offset the lower proportion of lower grade legacy stockpiles milled in the quarter along with the higher recovery versus the prior period.

<sup>1</sup> Refer to the Non-IFRS Performance Measures disclosure included in this MD&A for a description and calculation of these measures.

Total cash costs<sup>1</sup> were \$1,386/ounce sold for the three months ended March 31, 2021, an increase from \$1,291/ounce sold for the three months ended March 31, 2020 due to strengthening Australian dollar which increased Cost of sales, as outlined in the Cost of Sales section of this MD&A, slightly offset by the increase in ounces sold. All-in sustaining costs<sup>1</sup> increased from \$1,416/ounce sold to \$1,510/ounce sold predominantly due to higher total cash costs per ounce and general and administrative costs.

### Summary of Quarterly Financial Results

	Three month period ended March 31, 2021	Three month period ended December 31, 2020	Three month period ended September 30, 2020	Three month period ended June 30, 2020
Revenue	\$ 31,220	\$ 27,422	\$ 27,223	\$ 25,026
Cost of sales	26,920	27,144	25,600	24,155
Exploration expense	622	577	811	613
General and administrative	1,464	1,546	1,209	681
Operating Income (loss)	2,214	(1,845)	(397)	(423)
Income (loss) before taxes	3,560	1,511	(2,019)	(334)
Net income (loss)	3,527	1,478	(2,051)	(364)
Earnings (loss) per share				
–basic and diluted	0.03	0.01	(0.02)	(0.00)
Adjusted net income (loss) <sup>1</sup>	1,779	(749)	(1,255)	(630)
Adjusted net income (loss) per share – basic <sup>1</sup>	0.01	(0.01)	(0.01)	(0.01)
Cash flow from (used in) operations	3,959	(6,622)	377	579
	As at March 31, 2021	As at December 31, 2020	As at September 30, 2020	As at June 30, 2020
Cash and cash equivalents	17,908	17,294	14,077	15,615
Non-current assets	77,958	78,800	67,609	62,035
Total assets	107,217	109,166	91,110	86,747
Current liabilities	26,811	31,755	33,995	33,075
Non-current liabilities	40,106	40,279	35,307	30,573

<sup>1</sup> Refer to the Non-IFRS Performance Measures disclosure included in this MD&A for a description and calculation of these measures.

	Three month period ended March 31, 2020	Three month period ended December 31, 2019	Three month period ended September 30, 2019	Three month period ended June 30, 2019
Revenue	\$ 26,476	\$ 27,959	\$ 26,588	\$ 31,629
Cost of sales	23,701	29,119	29,845	32,739
Exploration expense	644	812	777	523
General and administrative	1,017	1,167	1,051	657
Operating Income (loss)	1,114	(3,139)	(5,085)	(2,290)
Income (loss) before taxes	(3,804)	(3,627)	(5,668)	(2,314)
Net income (loss)	(3,836)	(3,375)	(4,150)	(1,909)
Earnings (loss) per share				
–basic and diluted	(0.04)	(0.03)	(0.04)	(0.02)
Adjusted net income (loss) <sup>1</sup>	(115)	(3,156)	(3,875)	(1,909)
Adjusted net income (loss) per share – basic <sup>1</sup>	(0.00)	(0.03)	(0.04)	(0.02)
Cash flow from operations	(863)	10,507	730	4,247
	As at March 31, 2020	As at December 31, 2019	As at September 30, 2019	As at June 30, 2019
Cash and cash equivalents	16,279	22,232	13,993	17,187
Non-current assets	58,074	62,882	62,038	61,052
Total assets	82,982	96,920	88,136	95,961
Current liabilities	30,240	37,135	28,423	29,566
Non-current liabilities	31,495	32,318	29,787	31,320

## Results of Operations

The condensed consolidated interim financial statements are presented in U.S. dollars, which is Superior Gold Inc.'s functional currency. The wholly-owned subsidiary Billabong Gold Pty. Ltd.'s functional currency is the Australian dollar which is translated into U.S. dollars for financial reporting purposes. The Company's results of operations are therefore subject to the impact of foreign exchange fluctuations.

The price of gold has increased over the comparable period in 2020, which has increased the Realized Gold Price<sup>1</sup> in the three months ended March 31, 2021. The price of gold has decreased since December 31, 2020 which has decreased the liability associated with the Company's Call options. The Call options are settled at their respective strike prices according to the terms under the Auramet Gold loan (refer to note 9 of the condensed consolidated interim financial statements).

## Operating Income (loss)

Operating income for the three months ended March 31, 2021 was \$2,214 compared to \$1,114 for the three months ended March 31, 2020 due to higher Revenue, partially offset by higher Cost of sales of \$3,219 and higher General and administrative costs of \$447 as outlined below.

## Revenues

During the three months ended March 31, 2021 metal sales totaled \$31,220 from the sale of 17,538 ounces of gold, an increase of \$4,744 from \$26,476 from the sale of 16,850 ounces of gold for the three months ended March 31, 2020. Gold revenues were higher as a result of 688 more ounces being sold and an increase in the realized gold price<sup>1</sup> to \$1,777/ounce from \$1,570/ounce.

<sup>1</sup>Refer to the Non-IFRS Performance Measures disclosure included in this MD&A for a description and calculation of these measures.

## Cost of Sales

	Three months ended March 31	
	2021	2020
Mining	\$ 14,586	\$ 14,399
Processing	5,849	4,959
Depreciation and amortization	2,512	1,810
Site services	3,143	1,133
Gold royalty	788	691
Change in inventories	42	709
	\$ 26,920	\$ 23,701

Cost of Sales were \$26,920 for the three months ended March 31, 2021, an increase of \$3,219 from \$23,701 for the three months ended March 31, 2020. Cost of sales includes mine production costs, processing costs, site services, royalties, and depreciation and amortization. Cost of sales were \$3,219 higher in the current period versus the same period in 2020 due to the stronger Australian dollar, the impact of which resulted in a \$3,991 increase, despite an Australian dollar decrease in all Cost of sales categories, with the exception of Depreciation and amortization. In addition to the impact of the stronger Australian dollar, Depreciation and amortization increased by \$387 as a result of asset additions at the end of 2020 and during the three months ended March 31, 2021. The increase in Mining costs stemmed from the \$2,506 increase associated with the stronger Australian dollar on Mining costs partially offset by a reallocation of \$1,817 of camp costs from the Mining category into the Site services category to allow for more effective site reporting, as well as cost reductions. The change in Site services costs of \$2,010 reflected the reallocation of \$1,817 of costs from the Mining category. The increase in gold royalties was a result of the stronger Australian dollar and more ounces sold in the quarter, partially offset by a lower Australian dollar denominated gold price. Cost of sales also decreased due to the variance in the Change in inventory category. The Change in inventory of \$42 in the three months ended March 31, 2021 reflected a decrease in stockpile inventory. The Change in inventory of \$709 in the three months ended March 31, 2020 reflected the drawdown of finished goods inventory.

## General and administrative

General and administrative expenses in the three months ended March 31, 2021 were \$447 higher in comparison to the three months ended March 31, 2020, as a result of higher insurance premiums of \$87, reflecting general market pressures on insurance costs, and consulting costs entered into for business development initiatives of \$57. In addition, the 2020 comparative amount included a one-time credit for the final assessment of Australian stamp duty of \$133.

## Other Expenses (Income)

Other Income for the three months ended March 31, 2021 totaled \$1,346 and included the Change in valuation of Derivative financial instruments of \$1,743 and net finance cost of \$402. Net finance cost was comprised predominantly of charges for accretion on the Gold loan and leases. Other Expenses for the three months ended March 31, 2020 totaled \$4,918 and included: i) the Change in valuation of Derivative financial instruments of \$3,675, ii) a Gold loan accretion charge of \$726, iii) foreign exchange losses of \$327 and iv) lease and short-term finance charges of \$94.

In the three months ended March 31, 2021 the Change in the valuation of Derivative financial instruments was \$1,743, a result of the revaluation of the Call Options issued as part of the Gold loan agreement with Auramet in the fourth quarter of 2019. The charge reflects the delivery and decrease in the fair value of the Call options, primarily the result of the decrease in the Australian dollar denominated gold price during the period ended March 31, 2021. The Gold loan accretion charge also stems from the Gold loan agreement with Auramet.

### **Net income (loss) for the period ended March 31, 2021**

The total net income of \$3,527 for the three months ended March 31, 2021 resulted primarily from Operating income of \$2,214, the Change in valuation of derivative financial instruments of (\$1,743), offset by net finance cost of \$402. The total net loss of \$3,836 for the three months ended March 31, 2020 resulted primarily from the Change in valuation of Derivative financial instruments of \$3,675, net finance cost of \$1,177, offset by Operating income of \$1,114.

### **Adjusted net income (loss)**

Adjusted net income<sup>1</sup> for the first quarter of 2021 amounted to \$1,779 or \$0.01 per share compared to adjusted net loss of \$115 or \$0.00 per share in the three months ended March 31, 2020, primarily due to the higher Operating earnings in the current period (refer to the table in the section labeled “Adjusted Net Income and Adjusted basic net income per share” of this MD&A).

Refer to section “Non-IFRS Financial Performance Measures” for a reconciliation of the net income/loss to adjusted net income/loss.

### **Financial Position as at March 31, 2021**

As at March 31, 2021, the Company’s current assets totaled \$29,259 and current liabilities amounted to \$26,811, for a net working capital surplus of \$2,448. The majority of current assets are cash and cash equivalents of \$17,908 and inventories of \$9,033. The increase from a working capital deficit of \$1,389 as at December 31, 2020, was predominantly the result of Operating income during the three months ended March 31, 2021, repayments of the Gold loan and Short-term loan and decreases in the current portion of the Derivative financial instruments reflecting the decrease in the Call option liability.

Non-current assets decreased by \$842 from December 31, 2020. The decrease was predominantly the result of depreciation expense of \$2,527 and foreign exchange impacts of \$1,025. These amounts were offset by a right-of-use asset addition of \$1,076 for mobile equipment at the mine site. Non-current asset additions were \$982. Of this amount, \$877 was spent on development of the underground operations and advancement of the open pit opportunity located near the mill. Additionally, \$685 of capital expenditures were incurred during the three months ended March 31, 2021, \$500 of which was for betterments to existing equipment in the mill and \$185 for mobile equipment.

Current liabilities decreased by \$4,944 to \$26,811 predominantly due to the reduction in the current portion of Deferred revenue of \$1,944 stemming from repayments during the quarter, a decrease in the current portion of derivative financial instruments as a result of decreases in the gold price, reductions in Accounts payable and repayments of the Short-term loan.

Non-current liabilities decreased by \$173, as a result of the impact of foreign exchange movement on the non-current portion of provisions, partially offset by a new right-of-use asset recognized for the addition of newly leased mobile equipment.

Share capital consisted of capital stock, net of issue costs, of \$62,037, an increase of \$29 from the exercise of stock options.

### **Cash from Operating Activities**

During the three months ended March 31, 2021 cash from operating activities before working capital changes was \$2,661, a \$1,470 increase over cash from operating activities of \$1,191 for the three months ended March 31, 2020. The increase in cash generated from operating activities was predominantly a result of stronger operating earnings in the three months ended March 31, 2021 in comparison to the three months ended March 31, 2020.

### **Cash used in Investing Activities**

Cash used in investing activities in the three months ended March 31, 2021 was primarily comprised of expenditures on mine interests, property, plant and equipment of \$1,585 in support of underground mine development, open pit development and mill improvements, a decrease of 13% compared to the \$1,823 spent in the three months ended March 31, 2020.

### **Cash used in Financing Activities**

Cash used in financing activities in the three months ended March 31, 2021 of \$1,780 was attributed to repayments of the Company's short-term loans, lease obligations, and interest thereon of \$1,801, partially offset by the issuance of shares under a stock option exercise. For the three months ended March 31, 2020 cash used in financing activities comprised repayments of the Company's short-term loans, lease obligations and interest thereon of \$1,359. The increase from 2020 was a result of payments in respect of additions to the mobile fleet and the increase in amounts financed under the short-term loan as a result of higher insurance premiums.

### **Dividends**

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operations and does not have any immediate plans to pay any dividends on its Common Shares.

### **Liquidity and Capital Resources**

The price of gold has increased the Realized Gold Price<sup>1</sup> over the comparable period in the three months ended March 31, 2021 and estimates for the price of gold remain positive for the next twelve months. Other than the increase in the liability associated with the Company's outstanding Call options, which are settled in gold from our production, there have been no materially negative impacts on the Company's current operations.

The Company currently sells gold to two counterparties; the Perth Mint and Auramet. There have been no materially negative impacts on the Company's ability to sell gold or deliver gold into the Call

options (refer to note 9 of the condensed consolidated interim financial statements) or the Gold loan with Auramet.

During the three months ended March 31, 2021, the Company used cash inflows from the Plutonic Gold Operations to fund its expenditures on mineral interests and property, plant and equipment, as well as pay down its accounts payable, lease obligation balances and debt obligations. On November 12, 2019, the Company entered into a Gold loan with Auramet under which the Company received gross proceeds of AUD\$15 million before associated costs. As at March 31, 2021, the Company: is required to deliver a total of 1,320 ounces of gold over 3 equal monthly instalments (ending June 30, 2021); has 12,800 gold call options outstanding with Auramet at strike prices ranging from AUD\$2,275 to AUD\$2,360 per ounce of gold (these call options have expiration dates between April 30, 2021 and December 31, 2021 up to a maximum of 1,500 ounces per month); has no amounts outstanding under the zero cost collar price protection program, as all of the puts and calls under the zero cost collar price protection program matured on or before December 31, 2020. The Company agreed to sell a minimum of 80% of its gold production at market prices from the Plutonic Gold Operations to Auramet for a period that is not less than 6 months following repayment of the Gold loan (refer to notes 9 and 10 of the condensed consolidated interim financial statements).

The Company forecasted that it will have sufficient cash inflows to satisfy the Company's obligations as they come due over the next twelve months. As at March 31, 2021, Superior Gold has cash and cash equivalents of \$17,908 and a working capital surplus of \$2,448. Management believes the cash on hand and subsequent cash from operations of the Plutonic Gold Operations are sufficient to fulfill its immediate operating and capital requirements. The Company may require the issuance of equity or other forms of financing to complete or accelerate programs associated with any future development and exploration initiatives that are not contemplated in its current life of mine plan. Superior Gold's ability to raise equity and other forms of financing in the future under terms acceptable to the Company will be dependent on operating performance and on global markets, in particular, the price of gold and/or currency exchange rates.

### Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Commitments & Contingencies

Commitments contracted for and contingencies 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
	<b>\$ 2,948</b>	<b>\$ 3,986</b>

*(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.

### **Critical Accounting Policies and the Use of Estimates**

A detailed summary of the Company’s significant accounting policies, including the use of estimates, is included in the Company’s audited consolidated financial statements for the year ended December 31, 2020. The preparation of the condensed consolidated interim financial statements requires management to make estimates and judgments which are described in the Company’s audited consolidated financial statements for the year ended December 31, 2020.

The accounting policies and management estimates applied in the condensed consolidated interim financial statements for the three months ended March 31, 2021 are consistent with those used in the Company’s consolidated financial statements for the year ended December 31, 2020. Other than the increase in the liability associated with the Company’s Call options, primarily as a result of the increase in gold prices, there have been no material impacts on the Company’s key assumptions underlying critical accounting estimates as of the date of this MD&A.

### **Financial Instruments**

The Company’s significant accounting policies regarding its financial instruments are set out in the Company’s audited consolidated financial statements for the year ended December 31, 2020 and are consistent with those used in the Company’s condensed consolidated interim financial statements for the three months ended March 31, 2021. The Company is of the opinion that it is not exposed to significant interest, currency or credit risks arising from outstanding financial instruments.

## Adoption of New or Amended Accounting Policies

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

## Recent Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are disclosed in Note 4 of the condensed consolidated interim financial statements.

## Outstanding Share Data

The following table summarizes the capitalization of the Company as at May 10, 2021, the date of this MD&A:

	Exercise price	Expiry date	Quantity
Number of common shares issued			
Common shares	Not applicable	Not applicable	121,828,973
Number of common shares issuable			
Stock options	\$0.82	February 23, 2022	4,766,667
Stock options	\$0.82	July 5, 2022	150,000
Stock options	\$0.82	September 5, 2022	200,000
Stock options	\$1.06	June 8, 2023	125,000
Stock options	\$0.43	March 29, 2024	750,000
Stock options	\$0.79	August 15, 2024	50,000
Stock options	\$0.65	September 25, 2024	250,000
Stock options	\$0.39	March 30, 2025	200,000
Stock options	\$0.62	May 13, 2025	150,000
Stock options	\$0.90	August 4, 2025	1,000,000
Stock options	\$0.58	April 14, 2026	200,000
DSUs	Not applicable	Not applicable	424,656
PSUs	Not applicable	June 8, 2021	41,667
PSUs	Not applicable	March 29, 2022	83,334
PSUs	Not applicable	May 14, 2022	151,500
PSUs	Not applicable	May 20, 2023	125,000
PSUs	Not applicable	April 14, 2024	512,500
RSUs	Not applicable	August 15, 2022	50,000
RSUs	Not applicable	April 14, 2022	100,000
Warrants	\$1.5166	February 23, 2022	14,429,521
			145,588,818

## Non-IFRS Performance Measures

Total cash costs per gold ounce, all-in sustaining costs per gold ounce, realized price and adjusted net income are non-IFRS performance measures, they do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. In addition to conventional measures prepared in accordance with IFRS, certain investors may use these measures to evaluate the Plutonic Gold Operation's performance. Accordingly, these measures are intended to provide

additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### Total cash costs and All-in sustaining costs

Cash costs and all in sustaining costs reconciled to cost of sales as follows:

<i>(in thousands of dollars, except oz or per oz amounts)</i>	<b>Three months ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Gold sold (oz)	17,538	16,850
Cost of Sales	\$26,920	\$23,701
Adjustments for:		
Depreciation and amortization	(2,527)	(1,825)
Share-based payments included in Cost of Sales	(11)	(12)
Inventory movements	(26)	(99)
Silver credits and other	(47)	(17)
Cash costs	\$24,309	\$21,748
Total cash costs (per gold oz)	\$1,386	\$1,291
Adjustments for items affecting all-in sustaining cash costs:		
Sustaining exploration and capital expenditures <sup>1</sup>	940	1,031
Share-based payments included in Cost of Sales	11	12
Corporate, general and administration <sup>2,3</sup>	1,216	1,017
Rehabilitation accretion	4	56
All-in sustaining cost	\$26,480	\$23,864
All-in sustaining cost (per gold oz)	\$1,510	\$1,416

### Realized gold price

Realized gold price is calculated as metal sales per the statement of comprehensive income (loss), less silver sales. The following table provides a reconciliation of Realized gold price per ounce sold to revenues as per the condensed consolidated interim financial statements:

<i>(in thousands of dollars, except oz or per oz amounts)</i>	<b>Three months ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Metal sales	\$31,220	\$26,476
Silver sales	(47)	(17)
Revenues from gold sales	31,173	26,459
Gold sold (oz)	17,538	16,850
Realized gold price (\$/oz)	\$1,777	\$1,570

1. Sustaining exploration and capital expenditures have been segregated to reflect exploration expenditures on the Statement of Income and Comprehensive Income, effective June 30, 2018.
2. Corporate, general and administration costs include share-based compensation, as per the Consolidated Statement of Comprehensive Income.
3. Corporate, general and administration costs exclude depreciation and certain business development costs.

## Adjusted net income (loss) and Adjusted basic net income (loss) per share

Adjusted net income/loss and adjusted basic net income/loss per share are used by management and investors to measure the underlying operating performance of the Company. Presenting these measures from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods.

Adjusted net income/loss is defined as net income/loss adjusted to exclude specific items that are not reflective of the underlying operations of the Company, including: loss on settlement of the royalty payable to Northern Star, gain on sale of assets, charges pertaining to derivative financial instruments and the impact on income taxes. Adjusted basic net income/loss per share is calculated using the weighted average number of shares outstanding under the basic method of income/loss per share as determined under IFRS.

	Three months ended March 31	
	2021	2020
<i>(in thousands of dollars, except per share amounts)</i>		
Net income (loss) for the period	\$3,527	(\$3,836)
Adjusted for:		
Change in valuation of royalty payable to Northern Star	-	66
Gain on sale of assets	(5)	-
Derivative financial instruments	(1,743)	3,675
Effect on income taxes of the above items	-	(20)
Adjusted net income (loss)	\$1,779	(\$115)
Weighted average number of common shares outstanding - basic	121,806,195	97,065,989
Adjusted basic net income (loss) per share	0.01	(0.00)

## Disclosure Controls and Procedures

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's accounting policies.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Risks and uncertainties

The Company is subject to a number of risks and uncertainties which are not discussed in this MD&A. If any of such risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose a significant proportion of any investment in the Company. To properly understand such risks, readers are directed to the Company's current annual information form ("AIF") dated October 16, 2020 under the heading "Risks and Uncertainties". The AIF is available on SEDAR ([www.sedar.com](http://www.sedar.com)).

## Forward-looking information

This MD&A contains forward-looking information or incorporates by reference "forward-looking statements" with respect to the Corporation. Except for statements of historical fact relating to Superior, information contained herein constitutes forward-looking statements, including statements with respect to mineral reserve and mineral resource estimates; targeting additional mineral resources and expansion of deposits; the Corporation's dependency on the Plutonic Gold Operations for operating revenue and cash flows in the near term; the Corporation's ability to extend the life of the Plutonic Gold Operations; the mineral reserve and mineral resource estimates in the Corporation's most recently filed technical report ("Technical Report"); information related to the Corporation's previously announced strategic review process, the potential outcome of such review process and the intended maximization of shareholder value that the Corporation believes could result from such review process; the Corporation's expectations, strategies and plans for the Plutonic Gold Mine, including the Corporation's planned exploration, development and production activities at the Plutonic Gold Operations; the results of future exploration and drilling at the Plutonic Gold Operations; satisfying the requirements for the Corporation to maintain its interest in the Bryah Basin Joint Venture; successfully adding or upgrading resources and successfully developing new deposits; future financial or operating performance and condition of the Corporation and its business, operations and properties; the Corporation's ability to adequately account for potential mine closure and remediation costs; the Corporation's adoption of and expectations regarding new accounting standards and interpretations; and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements.

Forward-looking statements are characterized by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may", "will", "could" or "should" occur. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management, in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, as of the date of this MD&A, including, without limitation, assumptions about: favourable equity and debt capital markets; the ability to raise any necessary additional capital on reasonable terms to advance the development of the Plutonic Gold Operations and pursue planned exploration; future prices of gold; the timing and results of exploration and drilling programs; the accuracy of mineral reserve and mineral resource estimates; the geology and geophysical data of the Plutonic Gold Operations being as described in the Technical Report; production costs; the accuracy of budgeted exploration and development costs and expenditures; the price of other commodities such as fuel; future currency exchange rates and interest rates; operating conditions being favourable, including whereby the Corporation is able to operate in a safe, efficient and effective manner; political and regulatory stability; the receipt of governmental and third party approvals and permits on favourable terms; the timely resolution of native title and aboriginal heritage issues on favourable terms; obtaining required renewals for existing approvals and permits and obtaining all other required approvals and permits on favourable terms; sustained labour stability; stability in capital goods markets; the availability of equipment; the absence of natural disasters, adverse weather conditions, accidents, unanticipated transport costs or delays in the development of projects and other factors; the absence of an outbreak or escalation of infectious diseases or other similar health threats, including the novel coronavirus ("COVID-19") outbreak, that could result in the suspension or shutdown of the Plutonic Gold Operations; and the availability of water, gas, electricity or other power supply, chemicals and other critical supplies. While the Corporation considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks, uncertainties, contingencies and other factors that could cause actual actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Corporation and there is no assurance they will prove to be correct.

Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors (as referenced elsewhere in this MD&A) which may cause the actual plans, intentions, activities, results, performance or achievements of the Corporation to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information. The Corporation cautions that the foregoing lists of important assumptions and risks, uncertainties and other factors are not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information contained herein. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. In addition, statements relating to "mineral reserves" or "mineral resources" are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions that the mineral reserves and mineral resources described can be profitably mined in the future.

All forward-looking information contained in this MD&A is given as of the date hereof and is based upon the opinions and estimates of management and information available to management of the Corporation as at the date hereof. The Corporation undertakes no obligation to update or revise the forward-looking information contained in this MD&A, whether as a result of new information, future events or otherwise, except as required by applicable laws.

### **Technical Information**

Scientific and technical information in this MD&A has been reviewed and approved by Keith Boyle, P.Eng., who is a member of the Professional Engineers of Ontario and a “qualified person” as defined by National Instrument 43-101 (NI 43-101). Mr. Boyle is an employee of the Company and serves as Chief Operating Officer.

### **Additional Information**

Additional information regarding the Company, including the Company’s Annual Information Form, can be found at [www.sedar.com](http://www.sedar.com) and [www.superior-gold.com](http://www.superior-gold.com).