



**SUPERIOR
GOLD INC.**

**Condensed Consolidated
Interim Financial Statements**

June 30, 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)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 17,412	\$ 17,294
Receivables and other assets	2,596	4,275
Inventories (note 6)	8,639	8,797
Total current assets	28,647	30,366
Non-current assets		
Mining interests; and property, plant and equipment (note 7)	75,956	78,800
TOTAL ASSETS	\$ 104,603	\$ 109,166
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,771	\$ 15,583
Current portion of deferred revenue (note 9)	-	3,919
Current portion of derivative financial instruments (note 10)	341	2,156
Short-term loan (note 8)	65	1,194
Current portion of lease obligation (note 17)	2,811	3,085
Current portion of provisions (note 11)	5,875	5,818
Total current liabilities	23,863	31,755
Non-current liabilities		
Lease obligation (note 17)	9,766	10,548
Provisions (note 11)	28,690	29,216
Deferred share units liability (note 14 (d))	58	-
Deferred tax liability (note 16)	1,050	515
Total non-current liabilities	39,564	40,279
TOTAL LIABILITIES	\$ 63,427	\$ 72,034
SHAREHOLDERS' EQUITY		
Share capital (note 14(a and b))	\$ 62,037	\$ 62,008
Contributed Surplus	6,673	6,484
Accumulated other comprehensive income (loss)	(1,830)	(931)
Retained deficit	(25,704)	(30,429)
TOTAL EQUITY	\$ 41,176	\$ 37,132
TOTAL EQUITY AND LIABILITIES	\$ 104,603	\$ 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		Six months ended	
	June 30		June 30	
	2021	2020	2021	2020
REVENUES				
Metal sales (note 5)	\$ 34,418	\$ 25,026	\$ 65,638	\$ 51,502
EXPENSES				
Cost of sales	29,531	24,155	56,451	47,856
Exploration expense	597	613	1,219	1,257
General and administrative	1,561	681	3,025	1,698
OPERATING INCOME (LOSS)	2,729	(423)	4,943	691
OTHER EXPENSES (INCOME)				
Net finance cost (note 15)	289	157	691	1,334
Restructuring expenses	814	-	814	-
Gain on sale of assets	-	-	(5)	-
Change in valuation of royalty payable (note 19)	-	66	-	132
Change in valuation of derivative financial instruments (note 10)	(70)	(312)	(1,813)	3,363
INCOME (LOSS) BEFORE TAXES	1,696	(334)	5,256	(4,138)
Income and mining tax expense (note 16)	498	30	531	62
NET INCOME (LOSS) FOR THE PERIOD	\$ 1,198	\$ (364)	\$ 4,725	\$ (4,200)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation difference on foreign operations	(446)	1,952	(899)	(568)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 752	\$ 1,588	\$ 3,826	\$ (4,768)
Net loss per share (note 14(e)):				
Basic income (loss) per share	\$ 0.01	\$ (0.00)	\$ 0.04	\$ (0.04)
Diluted income (loss) per share	0.01	(0.00)	0.04	(0.04)
Weighted average number of common shares outstanding (basic)	121,828,973	97,134,473	121,817,647	97,100,231
Weighted average number of common shares outstanding (diluted)	122,659,922	97,134,473	122,586,260	97,100,231

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)

		Number of shares issued	Share capital	Contributed Surplus	Retained earnings	Accumulated other comprehensive income/(loss)	
	Note						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	-	-	318	-	-	318
Total comprehensive loss	-	-	-	-	(4,200)	(568)	(4,768)
Balance as at June 30, 2020		97,134,473	\$ 50,107	\$ 6,344	\$ (29,856)	\$ (3,496)	\$ 23,099
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	-	-	197	-	-	197
Total comprehensive income (loss)	-	-	-	-	4,725	(899)	3,826
Balance as at June 30, 2021		121,828,973	\$ 62,037	\$ 6,673	\$ (25,704)	\$ (1,830)	\$ 41,176

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 June 30		Six months ended June 30	
	2021	2020	2021	2020
Cash flows provided from (used by):				
OPERATING ACTIVITIES				
Net Income (loss) for the period	\$ 1,198	\$ (364)	\$ 4,725	\$ (4,200)
Adjustments:				
Depreciation and amortization	2,485	2,138	5,012	3,963
Change in valuation of royalty payable	-	66	-	132
Share-based payments	183	264	256	318
Employee provisions expense	1,088	615	2,075	1,387
Net finance (income) cost	289	157	691	1,334
Change in valuation of derivative financial instruments	(70)	(312)	(1,813)	3,363
Gain on sale of assets	-	-	(5)	-
Income tax expense	498	30	531	62
Gold loan repayments	(2,203)	(1,879)	(4,413)	(3,761)
Employee provisions paid	(910)	(163)	(1,840)	(855)
	2,558	552	5,219	1,743
Net changes in non-cash working capital items:				
Receivables and other assets	(304)	843	1,644	2,006
Inventories	301	(380)	(55)	241
Accounts payable and accrued liabilities	191	(436)	(103)	(4,274)
	2,746	579	6,705	(284)
INVESTING ACTIVITIES				
Interest received	6	11	7	37
Expenditures on mineral interests; and property, plant and equipment	(1,676)	(1,197)	(3,261)	(3,020)
Proceeds on sale of assets	-	-	39	-
	(1,670)	(1,186)	(3,215)	(2,983)
FINANCING ACTIVITIES				
Issuance of common shares	-	-	21	-
Repayment of short-term loan	(568)	(340)	(1,134)	(688)
Repayment of lease obligation	(801)	(1,011)	(1,828)	(1,928)
Interest paid	(204)	(77)	(412)	(171)
	(1,573)	(1,428)	(3,353)	(2,787)
Effect of exchange rates on cash & cash equivalents				
	1	1,371	(19)	(563)
Increase (decrease) in cash and cash equivalents	(496)	(664)	118	(6,617)
Cash and cash equivalents, beginning of period	17,908	16,279	17,294	22,232
Cash and cash equivalents, end of period	17,412	15,615	17,412	15,615

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

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021

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

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 June 30, 2021 and for the three and six months ended June 30, 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 twelve 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.

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Notes to the Condensed Consolidated Interim Financial Statements

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(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				Six months ended			
	June 30				June 30			
	2021	2020	2021	2020	2021	2020	2021	2020
Gold sales	\$ 34,399	\$ 24,980	\$ 65,572	\$ 51,439				
Silver sales	19	46	66	63				
	\$ 34,418	\$ 25,026	\$ 65,638	\$ 51,502				

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 June 30, 2021 or December 31, 2020.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021

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

6. INVENTORIES

	June 30, 2021	December 31, 2020
Consumable stores	\$ 5,023	\$ 5,106
Stockpiles	646	267
Gold in circuit	2,774	3,351
Dore on hand	196	73
	\$ 8,639	\$ 8,797

The cost of inventories recognized as an expense and included in Cost of sales in the three and six months ended June 30, 2021 (2020) was \$29,533 (\$24,140) and \$56,442 (\$47,829), respectively. During the three and six months ended June 30, 2021, there were \$nil write downs (June 30, 2020 - \$13) of consumables inventory.

7. MINING INTERESTS; AND PROPERTY, PLANT AND EQUIPMENT

	Mining interests	Property, plant and equipment	Capital work in progress	Total
<i>Cost:</i>				
As at December 31, 2020	\$ 92,303	\$ 47,626	\$ 931	\$ 140,860
Additions	1,743	-	1,239	2,982
Right of use assets (note 17)	-	1,076	-	1,076
Transfers	-	1,678	(1,678)	-
Disposals	-	(116)	-	(116)
Foreign exchange movement	(2,251)	(1,204)	(13)	(3,468)
June 30, 2021	91,795	49,060	479	141,334
<i>Accumulated depreciation:</i>				
As at December 31, 2020	39,701	22,359	-	62,060
Depreciation charge	1,241	3,771	-	5,012
Disposals	-	(83)	-	(83)
Foreign exchange movement	(980)	(631)	-	(1,611)
June 30, 2021	39,962	25,416	-	65,378
<i>Net book value:</i>				
As at beginning of period	\$ 52,602	\$ 25,267	\$ 931	\$ 78,800
As at June 30, 2021	\$ 51,833	\$ 23,644	\$ 479	\$ 75,956

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

	Mining interests	Property, plant and equipment	Capital work in progress	Total
<i>Cost:</i>				
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
<i>Accumulated depreciation:</i>				
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
<i>Net book value:</i>				
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 six months ended June 30, 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 0.3 to 4.2 years as of June 30, 2021.

8. SHORT-TERM LOAN

The short-term loan of \$65 (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. One of the loans was repaid in June 2021. 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:

- Was 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

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021

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

Auramet for a period that is not less than 6 months following delivery of the 7,920 ounces.

As at June 30, 2021, the 7,920 ounces were delivered and nil (December 31, 2020 – 2,640) ounces of gold remained to be delivered. 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, which includes the Call Options, 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 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 June 30, 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		486
Gold loan repayments		(4,413)
Foreign exchange movement		8
Balance, June 30, 2021	\$	-

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 June 30, 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.

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 six months ended June 30, 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		(1,412)
Realized (gains)/losses on derivative instruments		(401)
Foreign exchange movement		(2)
Balance, June 30, 2021	\$	341

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021

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

	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	9,000
Weighted average price per ounce (in AUD)	\$2,360
Fair value – liability (asset) at June 30, 2021	\$ 341
Balance, June 30, 2021	\$ 341

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 June 30, 2021 (December 31, 2020) are disclosed in the following table:

Call options	As at	
	June 30, 2021	December 31, 2020
Number of call options outstanding	9,000	15,200
Expected volatility	11%	16%
Risk free interest rate	0.06%	0.08%
Expected life in years	0.3	0.6
Fair value (weighted average)	\$ 50.44	\$ 184.16
- AUD\$	\$ 50.44	\$ 184.16
- U.S. \$ ⁽¹⁾	\$ 37.92	\$ 141.84

⁽¹⁾ At June 30, 2021, the U.S. dollar weighted average exercise price was calculated using the period end Australian to U.S. dollar exchange rate of 0.7518 (December 31, 2020 – 0.7702).

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

11. PROVISIONS

	June 30, 2021	December 31, 2020	
Employee entitlements	\$ 5,969	\$ 5,880	
Rehabilitation	28,596	29,154	
Total provisions	\$ 34,565	\$ 35,034	
Current	\$ 5,875	\$ 5,818	
Non-current	28,690	29,216	
\$ 34,565	\$ 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	-	8	8
Revisions to expected cash flows	2,075	134	2,209
Disbursements	(1,840)	-	(1,840)
Foreign exchange movement	(146)	(700)	(846)
Balance, June 30, 2021	5,969	28,596	34,565
Current	5,875	-	5,875
Non-current	94	28,596	28,690
Balance, June 30, 2021	\$ 5,969	\$ 28,596	\$ 34,565

(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 June 30, 2021, the mine rehabilitation provision has been discounted using discount rates of 0.1% - 2.1% (December 31, 2020 - 0.1% -1.3%) and the cash flows have been inflated using an inflation rate of 1.6% - 2.4% (December 31, 2020 - 1.3% - 2.4%), payable over the years 2022 to 2036. As at June 30, 2021, the total undiscounted estimated reclamation costs are approximately \$24,897 (December 31, 2020 - \$25,506). These expenditures are expected to be incurred in Australian dollars.

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

12. COMMITMENTS AND CONTINGENCIES

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

	June 30, 2021	December 31, 2020
Property, plant and equipment (i)	\$ 617	\$ 1,483
Guarantee (ii)	-	2,503
	\$ 617	\$ 3,986

(i) Capital commitments

In the six months ended June 30, 2021, the Company entered into commitments for milling and mobile equipment. These commitments totaled \$617 at June 30, 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, the Company was required to provide a guarantee to the supplier. On June 24, 2021 a guarantee was issued under the Letter of guarantee facility (note 13).

(iii) Contingent Consideration

As part of the acquisition of the Plutonic Gold Operations, the Company agreed to pay Northern Star Resources Inc. 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 June 30, 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.

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The fair value of financial instruments is summarized as follows:

	June 30, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
<i>Held-for-trading</i>				
Cash and cash equivalents	\$ 17,412	\$ 17,412	\$ 17,294	\$ 17,294
<i>Loans and receivables</i>				
Trade receivables (excluding HST and GST receivable)	325	325	244	244
Financial Liabilities				
Accounts payable and accrued liabilities	\$ 14,771	\$ 14,771	\$ 15,583	\$ 15,583
Short-term loan	65	65	1,194	1,194
Derivative financial instruments	341	341	2,156	2,156
Lease obligations	12,577	12,577	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\$5.5 million Guarantee Credit Facility dated April 14, 2021 (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 1.4225% calculated on drawn amounts and is secured by an assignment of a performance security guarantee issued by Export Development Canada 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 June 30, 2021 the Company was in compliance with all covenants.

Guarantees have been issued under the Credit Facility as at June 30, 2021 in the amounts of \$2,443, \$752, \$606 and \$150, respectively to secure power and gas supply (December 31, 2020 - \$770, \$621 and \$154, respectively). During the three and six months ended June 30, 2021, the Company paid \$96 and \$149 in associated fees on the Credit Facility (three and six months ended June 30, 2020 - \$nil and \$36).

14. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

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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, June 30, 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 overalllotment 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 June 30, 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 \$1.5166 (CAD\$1.88 (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
Granted	200,000	0.57	0.71
Forfeited	(100,000)	0.44	0.55
Exercised	(50,000)	0.44	0.55
Balance June 30, 2021	7,841,667	\$ 0.76	\$ 0.94

⁽¹⁾ At June 30, 2021, the U.S. dollar weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.8068 (December 31, 2020 – 0.7855).

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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:

		June 30, 2021	December 31, 2020
Number of share options granted		200,000	1,350,000
Expected volatility ⁽¹⁾		75%	61%
Risk free interest rate		0.60%	0.31%
Estimated forfeiture rate		10%	10%
Expected dividend yield		Nil	Nil
Expected life in years		3.5	3.5
Fair value (weighted average)	- CAD\$	0.37	\$ 0.30
	- U.S. \$ ⁽²⁾	0.29	\$ 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 June 30, 2021 are:

Exercise price (CAD\$)	Options outstanding				Options exercisable			
	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	\$0.38	\$0.47	3.75	66,667	0.38	0.47	3.75
\$0.52	750,000	\$0.42	\$0.52	2.75	500,000	0.42	0.52	2.75
\$0.71	200,000	\$0.57	\$0.71	4.79	-	-	-	-
\$0.75	150,000	\$0.61	\$0.75	3.87	50,000	0.61	0.75	3.87
\$0.79	250,000	\$0.64	\$0.79	3.24	83,333	0.64	0.79	3.24
\$0.96	50,000	\$0.77	\$0.96	3.13	16,667	0.77	0.96	3.13
\$1.00	5,116,667	\$0.81	\$1.00	0.68	5,116,667	\$0.81	\$1.00	0.68
\$1.09	1,000,000	\$0.88	\$1.09	4.10	-	-	-	-
\$1.29	125,000	\$1.04	\$1.29	1.94	125,000	\$1.04	\$1.29	1.94
\$0.94	7,841,667	\$0.76	\$0.94	1.68	5,958,334	\$0.77	\$0.95	0.99

⁽¹⁾ At June 30, 2021, the U.S. weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.8068 (2020 – 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

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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
Granted	512,500
Expired	(125,000)
Balance June 30, 2021	872,334

The PSUs vest over a period of time as established by the Board. The remaining PSUs issued in 2019 in the amount of 83,333 vest on the third anniversary of the grant. The PSUs issued in 2020 and 2021 vest in one tranche on the third anniversary of the grant. During the six months ended June 30, 2021, 125,000 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 periods ended June 30, 2021 and December 31, 2020:

	2021	2020
Number of performance share units granted	512,500	125,000
Expected volatility ⁽¹⁾	78%	69%
Risk free interest rate	0.50%	0.29%
Estimated forfeiture rate	0%	0%
Expected dividend yield	Nil	Nil
Expected life in years	2.79	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 the Company 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.

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(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 January 1, 2020 and December 31, 2020	50,000
Granted	100,000
Balance June 30, 2021	150,000

The RSUs vest over a period of time as established by the Board. Currently 50,000 RSUs vest on the third anniversary of the grant and 100,000 RSU vest upon the departure of the interim Chief Executive Officer. 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 \$13 as at June 30, 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. For grants issued in 2020, a DSU represents the right to receive a common share of the Company, vest when the director leaves the Board of Directors and are equity settled. For grants issued in 2021, a DSU represents the right to receive cash equivalent in value to a Superior Gold Inc. common share upon vesting, which occurs when the director leaves the Board of Directors. All DSUs must be retained until the director leaves the Board of Directors.

	Number of Deferred Share Units
Balance January 1, 2020	-
Granted	424,656
Balance December 31, 2020	424,656
Granted	101,933
Balance June 30, 2021	526,589

For grants issued in 2020, the fair value of DSUs is determined by reference to the Company's share price when the units are awarded. For grants issued in 2021, the fair value of DSUs is determined by reference to the Company's share price when the units are awarded and recognized as a liability on the Condensed Consolidated Interim Statement of Financial Position. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in the Condensed Consolidated Interim Statement of Comprehensive Income (Loss).

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Equity settled plans				
Cost of sales				
Mining – Share option plans	\$ 4	\$ 8	\$ 8	\$ 17
Site services – Share option plan	(6)	7	1	10
	(2)	15	9	27
General and administrative				
Share option plan	52	18	102	42
Deferred share units	58	216	58	216
Performance share units	15	12	24	27
Restricted share units	60	3	63	6
	185	249	247	291
	\$ 183	\$ 264	\$ 256	\$ 318

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 June 30		Six months ended June 30	
	2021	2020	2021	2020
Basic weighted average shares outstanding	121,828,973	97,134,473	121,817,647	97,100,231
Weighted average shares dilution adjustments:				
Share options	318,449	-	256,113	-
Deferred Share Units	-	-	-	-
Performance Share Units	512,500	-	512,500	-
Restricted Share Units	-	-	-	-
Warrants	-	-	-	-
Diluted weighted average shares outstanding	122,659,922	97,134,473	122,586,260	97,100,231

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 7,523,218 and 7,585,554 share options being excluded from the calculation of diluted earnings per share for the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 – 6,841,667). In respect of the performance share units, the share dilution adjustment was determined using the increase in the Company's share price relative to the VanEck Vectors Junior Gold Miners ETF, resulting in 359,834 and 359,834 performance share units being excluded from the calculation of diluted earnings per share for the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 – 484,834). For the three and six months ended June 30, 2021, the average share prices used were \$0.61 and \$0.56 (CAD\$0.75 and CAD\$0.70), respectively (three and six months ended June 30, 2020 - \$0.52 and \$0.51 (CAD\$0.72 and CAD\$0.69)).

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15. NET FINANCE (INCOME) COSTS

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Accretion of provisions	\$ 4	\$ 13	\$ 8	\$ 69
Accretion on Gold loan	201	210	486	936
Lease and short-term loan finance charges	204	77	412	171
Interest income	(6)	(11)	(7)	(37)
Foreign exchange (gain)/loss	(114)	(132)	(208)	195
	\$ 289	\$ 157	\$ 691	\$ 1,334

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 for the three and six months ended June 30, 2021 was \$498 and \$531 (June 30, 2020 – \$30 and \$62).

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.

The following ROU assets have been included within the Mining interests; 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

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<i>Cost:</i>		
December 31, 2020		\$ 23,524
ROU asset additions		1,076
Foreign exchange movement		(587)
June 30, 2021		24,013

<i>Accumulated depreciation</i>	
December 31, 2020	9,410
Depreciation charge	2,149
Foreign exchange movement	(277)
June 30, 2021	11,282
As at June 30, 2021	\$ 12,731

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

Interest expense on lease obligations for the three and six months ended June 30, 2021 was \$195 and \$386 (June 30, 2020 - \$70 and \$157). Total cash outflow for leases for the three and six months ended June 30, 2021 was \$996 and \$2,214 (June 30, 2020 - \$1,448 and \$2,481), including \$nil and \$nil (June 30, 2020 - \$367 and \$396) for short-term leases. Expense relating to variable lease payments not included in the measurement of the lease liability was \$271 and \$532 for the three and six months ended June 30, 2021 (June 30, 2020 - \$214 and \$420).

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 June 30, 2021, the Company's current assets of \$28,647 exceeded its current liabilities of \$23,863. 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 \$41,176 at June 30, 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 Resources Inc. ("NST") 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 NST under the royalty, or (ii) gold in excess of a cumulative 600,000 ounces being produced (the "NST Royalty"). The Company also had the right to purchase the NST Royalty back from NST 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 NST.