



**SUPERIOR
GOLD INC.**

**Condensed Consolidated
Interim Financial Statements**

March 31, 2019

(Unaudited - Expressed in thousands of United States dollars)

SUPERIOR GOLD INC.

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

	March 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,098	\$ 17,332
Restricted cash	136	136
Receivables and other assets	2,096	2,029
Inventories (note 5)	15,675	13,242
Total current assets	34,005	32,739
Non-current assets		
Mining interests; exploration and evaluation assets; and property, plant and equipment (note 6)	63,031	63,167
TOTAL ASSETS	\$ 97,036	\$ 95,906
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,698	\$ 12,083
Short-term loan (note 7)	388	579
Current portion of lease obligation (note 14)	3,310	2,612
Contingent royalty payable to Northern Star Resources (note 16)	4,393	4,308
Current portion of provisions (note 8)	6,614	6,416
Total current liabilities	27,403	25,998
Non-current liabilities		
Lease obligation (note 14)	3,854	2,876
Provisions (note 8)	25,921	24,698
Warrant liability (note 11(c))	-	329
Deferred tax liability (note 13)	2,607	3,112
Total non-current liabilities	32,382	31,015
TOTAL LIABILITIES	59,785	57,013
SHAREHOLDERS' EQUITY		
Share capital (note 11(a and b))	\$ 50,025	\$ 49,313
Contributed Surplus (note 11 (c and d))	5,879	5,767
Accumulated other comprehensive loss	(2,431)	(2,550)
Retained deficit	(16,222)	(13,637)
TOTAL EQUITY	\$ 37,251	\$ 38,893
TOTAL EQUITY AND LIABILITIES	\$ 97,036	\$ 95,906

Commitments and contingencies note 9, 16

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

SUPERIOR GOLD INC.

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss

(Unaudited)

(Expressed in thousands of United States Dollars, except per share amounts)

	Three months ended March 31	
	2019	2018
REVENUES		
Metal sales (note 4)	\$ 29,407	\$ 18,633
EXPENSES		
Cost of sales	30,960	20,011
Exploration expense	552	399
General and administrative	973	1,542
OPERATING LOSS	(3,078)	(3,319)
OTHER EXPENSES (INCOME)		
Net finance and other costs (note 12)	47	433
Loss (gain) on change in valuation of warrant liability (note 11(c))	(85)	230
Loss, and change in valuation of, contingent payable to Northern Star Resources (note 16)	68	4,533
LOSS BEFORE TAXES	(3,108)	(8,515)
Income and mining tax recovery (note 13)	(523)	(2,940)
NET LOSS FOR THE PERIOD	\$ (2,585)	\$ (5,575)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation difference on foreign operations	119	(766)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (2,466)	\$ (6,341)
Net loss per share (note 11 (e)):		
Basic loss per share	\$ (0.03)	\$ (0.06)
Diluted loss per share	(0.03)	(0.06)
Weighted average number of common shares outstanding (basic & diluted)	96,502,251	95,669,140

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

SUPERIOR GOLD INC.

Condensed Consolidated Interim Statement 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)	Total
Note							
Balance as at January 1, 2018		95,669,140	\$ 49,220	\$ 5,151	\$ (337)	\$ 1,237	\$ 55,271
Share-based payments	11	-	-	298	-	-	298
Total comprehensive loss		-	-	-	(5,575)	(766)	(6,341)
Balance as at March 31, 2018		95,669,140	\$ 49,220	\$ 5,449	\$ (5,912)	\$ 471	\$ 49,228
Balance as at January 1, 2019		95,752,473	\$ 49,313	\$ 5,767	\$ (13,637)	\$ (2,550)	\$ 38,893
Exercise of warrants	11	1,230,000	712	-	-	-	712
Share-based payments	11	-	-	112	-	-	112
Total comprehensive income (loss)		-	-	-	(2,585)	119	(2,466)
Balance as at March 31, 2019		96,982,473	\$ 50,025	\$ 5,879	\$ (16,222)	\$ (2,431)	\$ 37,251

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

SUPERIOR GOLD INC.

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

	Three months ended March 31	
	2019	2018
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,585)	\$ (5,575)
Adjustments:		
Depreciation and amortization	5,687	2,190
Loss on contingent payable to Northern Star Resources	68	4,533
Loss (gain) on change in valuation of warrant liability	(85)	230
Share-based payments	113	298
Employee provisions expense	725	743
Net finance and other costs	47	433
Income tax recovery	(523)	(2,940)
Employee provisions paid	(552)	(536)
Reclamation payments	(70)	(17)
	2,825	(641)
Net changes in non-cash working capital items:		
Receivables and other assets	(55)	(3,200)
Inventories	(2,379)	1,070
Accounts payable and accrued liabilities	12	1,172
	403	(1,599)
INVESTING ACTIVITIES		
Interest received	45	45
Expenditures on mineral interests; exploration and evaluation assets; and property, plant and equipment	(1,263)	(2,746)
	(1,218)	(2,701)
FINANCING ACTIVITIES		
Issuance of common shares	467	-
Repayment of short-term loan	(195)	(207)
Repayment of lease obligations	(740)	(280)
Interest paid	(113)	(42)
	(581)	(529)
Effect of exchange rates on cash and cash equivalents	162	(426)
Increase (decrease) in cash and cash equivalents	(1,234)	(5,255)
Cash and cash equivalents, beginning of period	17,332	29,121
Cash and cash equivalents, end of period	16,098	23,866

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

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

(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.

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 development of its mineral property interests to satisfy its commitments and continue as a going concern. The Company believes it has sufficient funds available from existing cash on hand or available from continuing operations to maintain its mineral investments, fund its exploration and evaluation and administration costs.

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 and the IFRS Interpretations Committee. 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, 2018. 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, 2018, except as described in note 3.

Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments, warrant liability, contingent royalty to Northern Star, and share-based payments 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, 2018.

Basis of consolidation

These consolidated financial statements include the assets, liabilities, revenues and expenses of the Company, its 100% owned subsidiary, Billabong Gold Pty. Ltd and its 80% interest in the unincorporated Bryah Basin joint venture. 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 continue to be consolidated until the date when such control ceases. All intercompany balances and transactions have been eliminated.

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3. NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

The Company adopted the following accounting standard and amendments to accounting standards, effective January 1, 2019:

IFRS 16 Leases

The Company adopted IFRS 16, Leases ("IFRS 16"), effective January 1, 2019. The objective of IFRS 16 is to recognize substantially all leases on balance sheet for lessees. IFRS 16 requires lessees to recognize a "right-of-use" asset and a lease liability calculated using a prescribed methodology. The Company has adopted IFRS 16 using the modified retrospective approach which does not require restatement of comparative periods. Comparative information has not been restated and continues to be reported under IAS 17, Leases ("IAS 17"), and IFRIC 4, Determining Whether an Arrangement Contains a Lease ("IFRIC 4"). The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

The impact of the transition is shown in the table below. The Company's accounting policy under IFRS 16 is as follows:

- At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 7 years for mobile equipment, power plant, office space and office equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.
- The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.
- Variable lease payments not included in the initial measurement of the lease liability are charged directly to net earnings.
- The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.
- When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

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Impact of transition to IFRS 16

On adoption, the Company has recognized a right-of-use asset and lease obligations of \$2,334 as of January 1, 2019, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average incremental borrowing rate applied was 7.9%.

The following table reconciles the Company's operating lease obligations at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitments at December 31, 2018	\$ 2,515
Discounted using the incremental borrowing rate at January 1, 2019	(378)
Other adjustments	197
Lease liabilities previously recorded as finance lease obligations	5,488
Lease obligations recognized at January 1, 2019	\$ 7,822

IFRIC 23 – Uncertainty over Income Tax Treatments

The Company adopted IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23") on January 1, 2019 with retrospective application. IFRIC 23 clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. The effect of uncertain tax treatments are recognized at the most likely amount or expected value. The adoption of IFRIC 23 had no impact on the condensed consolidated interim financial statements.

4. METAL SALES

	Three months ended March 31	
	2019	2018
Gold sales	\$ 29,377	\$ 18,602
Silver sales	30	31
	\$ 29,407	\$ 18,633

The Company's main source of revenue is the sale of gold. The sale of gold occurs in one geographic market, Australia, and to one customer, The Perth Mint. There are no contract receivables for gold sales as at March 31, 2019 or December 31, 2018.

5. INVENTORIES

	March 31, 2019	December 31, 2018
Consumable stores	\$ 5,526	\$ 5,619
Stockpiles	5,442	3,679
Gold in circuit	2,649	2,991
Dore on hand	2,058	953
	\$ 15,675	\$ 13,242

The cost of inventories recognized as an expense and included in cost of sales in the period ended March 31, 2019 and 2018 was \$5,287 and \$4,672, respectively. During the three months ended March 31, 2019, there were \$nil write downs (March 31, 2018 - \$127) of consumables inventory.

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

	Mining interests	Exploration and evaluation	Property, plant and equipment	Capital work in progress	Total
Cost:					
As at December 31, 2018	\$ 76,115	\$ 446	\$ 23,250	\$ 70	\$ 99,881
Right of use assets ⁽ⁱ⁾	-	-	2,334	-	2,334
Additions	2,062	-	41	821	2,924
Transfers	647	(446)	78	(279)	-
Foreign exchange movement	303	-	113	(3)	413
March 31, 2019	79,127	-	25,816	609	105,552
<i>Accumulated depreciation:</i>					
As at December 31, 2018	26,299	-	10,415	-	36,714
Depreciation charge	4,278	-	1,409	-	5,687
Foreign exchange movement	86	-	34	-	120
March 31, 2019	30,663	-	11,858	-	42,521
As at beginning of period	\$ 49,816	446	\$ 12,835	\$ 70	\$ 63,167
As at March 31, 2019	\$ 48,464	\$ -	\$ 13,958	\$ 609	\$ 63,031

	Mining interests	Exploration and evaluation	Property, plant and equipment	Capital work in progress	Total
Cost:					
As at December 31, 2017	\$ 69,019	\$ -	\$ 13,836	\$ 3,787	\$ 86,642
Additions	12,271	466	-	11,758	24,495
Transfers	2,532	-	11,457	(15,218)	(1,229)
Foreign exchange movement	(7,707)	(20)	(2,043)	(257)	(10,027)
December 31, 2018	76,115	446	23,250	70	99,881
<i>Accumulated depreciation:</i>					
As at December 31, 2017	15,300	-	7,489	-	22,789
Depreciation charge	13,093	-	3,840	-	16,933
Foreign exchange movement	(2,094)	-	(914)	-	(3,008)
December 31, 2018	26,299	-	10,415	-	36,714
As at beginning of period	\$ 53,719	-	\$ 6,347	\$ 3,787	\$ 63,853
As at December 31, 2018	\$ 49,816	\$ 446	\$ 12,835	\$ 70	\$ 63,167

Effective April 1, 2018, the Company declared the commencement of commercial production at the Hermes open pit mine. The Company transferred \$3,658 from Capital work in progress to Mining interests, net of pre-commercial production gold sales of \$6,648, and \$1,229 from Mining interests to Stockpiles inventory.

Items comprising mineral interests and property, plant and equipment include mine development properties, exploration and evaluation assets, land and buildings, plant and equipment, motor vehicles, office equipment and capital work in progress.

The Bryah Basin joint venture is located south-west of the Plutonic Gold Mine mill and the Company has an option to earn up to an 80% interest in the unincorporated joint venture by spending AUD\$1.2 million (\$888) over three years beginning April 2015. In April 2018, the Company gave notice to the joint venture partner that it had incurred the required expenditures during the earn-in period. In the three months ended March 31, 2019 the Company capitalized \$nil (December 31, 2018 - \$446) of exploration and evaluation costs pertaining to the unincorporated Bryah Basin joint venture.

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

(i) Right of use assets

On January 1, 2019, the Company adopted IFRS 16. As part of the adoption, the Company recorded assets of \$2,334. The assets will be amortized over the remaining term of the contracts, which is 1 to 3.25 years.

7. SHORT-TERM LOAN

The short-term loan of \$388 (December 31, 2018 - \$579) represents amounts owing to a financial institution which financed the Company's annual insurance premium. The term of loan is 10 months commencing in September 2018, terminating in June 2019 and bears interest at 1.8%.

8. PROVISIONS

	March 31, 2019	December 31, 2018
Employee entitlements	\$ 6,300	\$ 6,103
Rehabilitation	26,235	25,011
Total provisions	\$ 32,535	\$ 31,114
Current	\$ 6,614	\$ 6,416
Non-current	25,921	24,698
\$ 32,535	\$ 31,114	

	Employee Entitlements	Rehabilitation	Total provisions
Beginning balance on December 31, 2018	\$ 6,103	\$ 25,011	\$ 31,114
Accretion	-	120	120
Revisions to expected cash flows	725	1,077	1,802
Utilized	(552)	(70)	(622)
Foreign exchange movement	24	97	121
Balance, March 31, 2019	6,300	26,235	32,535
Current	6,243	371	6,614
Non-current	57	25,864	25,921
Balance, March 31, 2019	\$ 6,300	\$ 26,235	\$ 32,535

(ii) 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.

(iii) Rehabilitation provision

The Company assesses its mine rehabilitation provision annually. Significant judgment is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate the mine sites, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which the change becomes known. As at March 31, 2019, the mine rehabilitation provision has been discounted using

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discount rates of 1.6% - 2.0% (December 31, 2018 – 1.9% - 2.5%) and the cash flows have been inflated using an inflation rate of 2.3% - 2.5% (2018 – 2.3% - 2.5%), payable over the years 2019 to 2034. As at March 31, 2019, the total undiscounted estimated reclamation costs are approximately \$23,974 (December 31, 2018 - \$23,876). These expenditures are expected to be incurred in Australian dollars.

9. COMMITMENTS

(i) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

	March 31, 2019	December 31, 2018
Property, plant and equipment	\$ 307	\$ 414
Mine development	140	-
	\$ 447	\$ 414

In the three months ended March 31, 2019, the Company entered into commitments for milling equipment. These commitments totaled \$307 at March 31, 2019. Commitments related to the construction of a tailings lift amounted to \$140 at March 31, 2019.

10. FINANCIAL INSTRUMENTS

Fair value

The carrying value of cash and cash equivalents, restricted cash, 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 the contingent royalty payable to Northern Star Resources is classified as Level 3 in accordance with the fair value hierarchy.

The carrying value of lease obligations approximate fair value due to its short-term maturity and are classified as Level 2 in accordance with the fair value hierarchy.

The Warrant Liability is 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 (note 11 (c)). This financial instrument is classified as Level 2 in accordance with the fair value hierarchy. The contingent royalty payable to Northern Star Resources is valued using pricing models which require the use of discount rates obtained from or verified with information available to the market along with forecasted production information used to estimate the expected life of the contingent royalty and determine whether the liability is current or non-current. The discount rate is used to discount the AUD\$6.5 million liability over its expected life to derive contingent royalty liability's value. This financial instrument is classified as Level 3 in accordance with the fair value hierarchy.

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

The fair value of financial instruments is summarized as follows:

	March 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
<i>Held-for-trading</i>				
Cash and cash equivalents	\$ 16,098	\$ 16,098	\$ 17,332	\$ 17,332
Restricted cash	136	136	136	136
<i>Loans and receivables</i>				
Receivables (excluding HST and GST receivable)	1,181	1,181	1,291	1,291
Financial Liabilities				
Accounts payable and accrued liabilities	\$ 12,698	\$ 12,698	\$ 12,083	\$ 12,083
Short-term loan	388	388	579	579
Lease obligations	7,164	7,164	5,488	5,488
Contingent Royalty payable (note 16)	4,393	4,393	4,308	4,308
Warrant liability (note 11(c))	-	-	329	329

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.

b) Letter of guarantee facility

In November 2017, the Company entered into an AUD\$6,000 Guarantee Credit Facility, which was amended in February 2019, (the "Credit Facility") with a leading international bank. The Credit Facility permits the Company to issue letters of guarantee for a term of up to 12 months to various suppliers from time to time to support the Plutonic Gold Operations.

The Credit Facility includes an aggregate fee of 3.19% calculated on drawn amounts, is secured by an assignment of a performance security guarantee issued by Export Development Canada ("EDC") in support of the Plutonic Gold Operations. The Credit Facility contains covenants customary for a loan facility of this nature, including limits on indebtedness and change of control. It contains a financial covenant test requiring that the Company maintain a tangible net worth of \$32,000.

Guarantees have been issued under the Credit Facility as at March 31, 2019 in the amounts of \$709, \$571 and \$142, respectively to secure power and gas supply (December 31, 2018 - \$706, \$569 and \$141, respectively). During the three months ended March 31, 2019, the Company paid \$46 in associated fees on the Credit Facility (March 31, 2018 - \$41). The Company is in compliance with all covenants as at March 31, 2019.

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11. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued and outstanding

	Number of shares	Amount
Balance, January 1, 2018	95,669,140	\$ 49,220
Shares issued under:		
Exercise of options	83,333	93
Balance, December 31, 2018	95,752,473	\$ 49,313
Shares issued under:		
Exercise of Broker Warrants	1,230,000	712
Balance, March 31, 2019	96,982,473	\$ 50,025

c) Warrants

In connection with the Subscription Receipts and Offering transactions, the Company incurred \$3,618 of commissions and fees, excluding the value of warrants that have been recorded as share issue costs. As part of the consideration of the services rendered by the Agent in connection with the Private Placement and Offering, the Company issued to the Agent 1,230,000 Broker Warrants and 681,525 Offering Broker Warrants. The 1,230,000 Broker Warrants and 681,525 Offering Broker Warrants were exercisable at CAD\$0.50 per Broker Warrant and CAD\$1.00 per Offering Broker Warrant, respectively, up to February 23, 2019. The Company accounted for the warrants as a financial liability as the strike price of the warrants was in a different currency than Superior Gold Inc.'s functional currency. For accounting purposes, the Company determined the fair value of the Broker Warrants and Offering Broker Warrants using the Black-Scholes option pricing model and recorded the amount as a warrant liability within non-current liabilities with the change in fair value from the date of issuance being reflected in the consolidated statement of comprehensive income as a change in valuation of warrant liability.

Immediately prior to exercise, the Company determined the fair value of the Broker Warrants and reflected the change in fair value in the consolidated statement of comprehensive income as a change in valuation of warrant liability. Upon exercise, the warrant liability associated with the Broker Warrants was transferred to Share Capital.

On expiry, the Company recorded the fair value of the Offering Broker Warrants in the condensed consolidated interim statement of comprehensive loss.

On February 23, 2017, the Company issued 14,429,521 common share purchase warrants to Northern Star under the amended Acquisition Agreement, dated February 9, 2017 as partial consideration for the Plutonic Gold Operations. The common share purchase warrants are exercisable at \$1.5166 per warrant, up to and including February 23, 2022. The Company has accounted for the warrants as an equity instrument as the strike price of these warrants is in Superior Gold Inc.'s functional currency.

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A summary of the assumptions in respect of warrants issued to the Agent and Northern Star as at March 31, 2019 are as follows:

	Number of warrants	Risk free interest rate	Expected annual volatility ⁽¹⁾	Expected Life (in years)	Value ⁽²⁾
Balance, January 1, 2018					
Broker Warrants	1,230,000	1.67%	58%	1.15	588
Offering Broker Warrants	681,525	1.67%	58%	1.15	161
Revalued, December 31, 2018					
Broker Warrants	1,230,000	1.85%	71%	0.15	309
Offering Broker Warrants	681,525	1.85%	71%	0.15	20
Total Warrant liability as at December 31, 2018					
Change in valuation of Warrant liability in the period					
Revalued, March 31, 2019					
Broker Warrants ⁽³⁾	1,230,000	1.76%	66%	0.06	244
Offering Broker Warrants ⁽⁴⁾	681,525	0.00%	0%	0.00	-
Total Warrant liability as at March 31, 2019					
Change in valuation of Warrant liability in the period					

Northern Star Warrants

Granted, February 23, 2017	14,429,521	1.13%	63%	5.00	\$3,971
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⁽¹⁾ Based on an expected peer group of companies over the expected life of the warrants on the date of grant. As at March 31, 2019 the Company used its own share price volatility as there was sufficient common share trading history over the remaining expected life of the warrants.

⁽²⁾ Based on an assumed dividend yield of 0%.

⁽³⁾ The value of \$244 was transferred to Share Capital upon exercise.

⁽⁴⁾ Expired.

A summary of the status of warrants as of March 31, 2019 are as follows:

	Number outstanding	Weighted average exercise price (CAD\$)
Balance, January 1, 2018	16,341,046	\$ 1.76
Exercised	-	-
Balance, December 31, 2018	16,341,046	\$ 1.91
Exercised	(1,230,000)	0.50
Expired	(681,525)	1.00
Balance, March 31, 2019	14,429,521	\$ 2.03

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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, 2018	6,750,000	\$ 0.80	\$ 1.00
Granted	125,000	0.95	1.29
Exercised	(83,333)	0.74	1.00
Forfeited	(1,000,000)	0.74	1.00
Balance December 31, 2018	5,791,667	\$ 0.74	\$ 1.01
Granted	750,000	0.39	0.52
Balance March 31, 2019	6,541,667	\$ 0.71	\$ 0.95

⁽¹⁾ At March 31, 2019, the U.S. dollar weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.7486 (December 31, 2018 – 0.7373).

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 on the first grant date anniversary, one third vesting on the second grant date anniversary and one third vesting on the third grant date anniversary. The weighted average inputs used in the measurement of fair value during the periods ended March 31, 2019 and December 31, 2018 were:

	2019	2018
Number of share options granted	750,000	125,000
Expected volatility ⁽¹⁾	56%	59%
Risk free interest rate	1.53%	2.03%
Estimated forfeiture rate	0%	0%
Expected dividend yield	Nil	Nil
Expected life in years	3.5	3.5
Fair value (weighted average)	\$ 0.22	\$ 0.56
	- CAD\$	
	- U.S. \$ ⁽²⁾	\$ 0.16
		\$ 0.44

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

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

Share options outstanding and exercisable at March 31, 2019 are:

	Options outstanding				Options exercisable			
	Exercise price (CAD\$)	Number of options	Weighted average exercise price ⁽¹⁾	Weighted average exercise price CAD\$	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price (CAD\$)	Weighted average exercise price CAD\$
\$0.52	750,000	\$0.39	\$0.52	5.00	-	-	-	-
\$1.00	5,666,667	\$0.75	\$1.00	2.99	5,100,001	\$0.75	\$1.00	2.93
\$1.29	125,000	\$0.97	\$1.29	4.19	-	-	-	-
\$1.00	6,541,667	\$0.71	\$0.95	3.24	5,100,001	\$0.75	\$1.00	2.93

⁽¹⁾ At March 31, 2019, the U.S. weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.7486 (December 31, 2018 – 0.7373).

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(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. PSUs are equity settled.

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

The Company has granted Performance Share Units ("PSU") 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, 2018	-
Granted	225,000
Forfeited	(100,000)
Balance December 31, 2018	125,000
Granted	250,000
Balance March 31, 2019	375,000

The PSUs vest over a period of time as established by the Board. The PSUs issued in 2018 vest in two tranches: 83,333 on the second anniversary and 41,667 on the third anniversary, of the grant. The PSUs issued in 2019 vest in three tranches: 83,333 on the first anniversary, 83,333 on the second anniversary and 83,334 on the third anniversary of the grant.

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 March 31, 2019 and December 31, 2018 were:

	2019	2018
Number of performance share units granted	250,000	225,000
Expected volatility ⁽¹⁾	50%	60%
Risk free interest rate	1.54%	2.00%
Estimated forfeiture rate	0%	0%
Expected dividend yield	Nil	Nil
Expected life in years	2.00	2.81
Fair value (weighted average)	- CAD\$	\$ 0.24
	- U.S. \$ ⁽²⁾	\$ 0.18
		\$ 0.48

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

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

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

	Equity settled plans			
	Share option plan	Performance share units		Total
	Three months ended	Three months ended	Three months ended	
	March 31, 2019	March 31, 2019	March 31, 2019	
Cost of sales – Mining	\$ 19	\$ -	\$ -	\$ 19
Cost of sales – Site services	-	-	-	-
General and administrative	87	6	-	93
	\$ 106	\$ 6	\$ -	\$ 112

	Equity settled plans			
	Share option plan	Performance share units		Total
	Three months ended	Three months ended	Three months ended	
	March 31, 2018	March 31, 2018	March 31, 2018	
Cost of sales – Mining	\$ 36	\$ -	\$ -	\$ 36
Cost of sales – Site services	55	-	-	55
General and administrative	207	-	-	207
	\$ 298	\$ -	\$ -	\$ 298

e) Earnings per share

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

Number of common shares	Three months ended	
	March 31	2018
Basic weighted average shares outstanding	96,502,251	95,669,140
Weighted average shares dilution adjustments:		
Share options and PSU's	-	-
Warrants	-	-
Diluted weighted average shares outstanding	96,502,251	95,669,140

The impact of all outstanding potentially dilutive instruments is excluded from the diluted share calculation for loss per share amounts as they are anti-dilutive for the three months ended March 31, 2019 and 2018.

12. NET FINANCE AND OTHER COSTS

	Three months ended	
	March 31	
	2019	2018
Accretion of provisions	\$ 120	\$ 117
Lease finance charges	113	42
Interest income	(45)	(45)
Foreign exchange (gain)/loss	(141)	319
	\$ 47	\$ 433

SUPERIOR GOLD INC.

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13. 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 recovery for the three months ended March 31, 2019 was \$523 (March 31, 2018 – \$2,940).

14. LEASE OBLIGATION

The following table presents the contractual undiscounted cash flows for lease obligations as at March 31, 2019:

Less than one year	\$	3,651
One to five years	\$	4,055
Total undiscounted lease obligations	\$	7,706

Interest expense on lease obligations for the three months ended March 31, 2019 was \$109. Total cash outflow for leases was \$849, including \$26 for short-term leases. Expenses for leases of low-dollar value items are not material. All extension options have been included in the measurement of lease obligations, where applicable.

15. CAPITAL MANAGEMENT

The Corporation's objective when managing capital is to ensure the Corporation 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.

In order to ensure there is adequate liquidity and an appropriate capital structure, the Corporation 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 Corporation considers its capital to be shareholders' equity, which amounted to \$37,251 at March 31, 2019 (December 31, 2018 - \$38,893).

16. PLUTONIC GOLD OPERATIONS ACQUISITION

As part of the Acquisition, the Company agreed to pay Northern Star a 2% net smelter return royalty on future gold recovered from the Plutonic Gold Operations in excess of a cumulative 300,000 ounces. The royalty terminates on the earlier of: (i) the date that a cumulative AUD\$10 million is paid to Northern Star under the royalty or (ii) gold in excess of a cumulative 600,000 ounces being produced (the "Northern Star Royalty"). The Company maintains the right to purchase the Northern Star Royalty back from Northern Star for a purchase price of AUD\$6.5 million at any time before the expiry of 30 days after the date the royalty first becomes payable. The fair value of the Northern Star Royalty was determined to have nil value on the Acquisition date.

In addition, 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 on the Acquisition Date.

The fair value of the Milestone Payments was determined to have nil value as at March 31, 2019 as Management had

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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.

Upon completion of the Company's reserve and resource update effective December 31, 2017, the Company accrued a contingent royalty payable of \$4,533 and a corresponding charge to the Statement of income (loss) and comprehensive income (loss). The Company has accounted for the contingent royalty payable as a financial liability as it is denominated in Australian dollars. For accounting purposes, the fair value of the contingent royalty payable was determined to be AUD\$5,914 based on the net present value of the Northern Star Royalty's AUD\$6.5 million buyback option, discounted from the time the Company anticipates it to become payable. As at March 31, 2019, payment of the contingent royalty is estimated to occur in the first quarter of 2020.

The Company discounted the contingent royalty payable using its weighted average cost of capital of 6.5% as at March 31, 2019 and translated the amount using the period end Australian to U.S. dollar exchange rate of 0.7087, with any changes in fair value being reflected in the consolidated statement of comprehensive income as a change in valuation of the contingent royalty payable.