SUPERIOR GOLD INC.

Management's Discussion and Analysis

For the three months ended March 31, 2020

May 11, 2020

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

Notes

This Management's Discussion and Analysis ("MD&A") dated May 11, 2020, should be read in conjunction with Superior Gold's unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2020 and 2019 ("interim financial statements") which are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). As these interim financial statements do not contain all note disclosures required under International Financial Reporting Standards ("IFRS"), they should be read in conjunction with the Company's annual audited financial statements and Management's Discussion and Analysis for the year ended December 31, 2019. All dollar figures stated herein are expressed in thousands of United States dollars, except for per share or per ounce amounts or unless otherwise specified. The Company's public filings can be viewed on the SEDAR website (www.sedar.com) and on the Company's website (www.superior-gold.com).

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

Description of the Business

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

First Quarter Highlights

- Produced 16,351 ounces of gold, down 19% from the fourth quarter of 2019 and down 27% from the comparable period in 2019,
- Sold 16,850 ounces of gold at total cash costs[1] of $1,291 per ounce sold and all-in sustaining costs[1] of $1,416 per ounce sold
- Operating cash flow before working capital changes of $1,191 including the repayment of $1,882 to Auramet under the gold loan
- Net loss for the period of $0.04 per share and adjusted net loss of $0.00 per share

[1] Refer to the "Non-IFRS Performance Measures" disclosure within this MD&A for a description and calculation of these measures.

Impact of COVID-19

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 the future measures to reduce the spread of COVID-19. The unpredictable nature on 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 judgements, inputs and assumptions used for the three months ended March 31, 2020, whether related to COVID-19 or otherwise, have been considered and, where appropriate, reflected in the condensed consolidated interim financial statements. The future impact of COVID-19 actions as at March 31, 2020 are unknown.

To date COVID-19 has not had a significantly negative impact on the Company's operations. To address the risk of the pandemic to the Plutonic Mine, the Company has instituted a number of measures to reduce the potential risk to employees and communities, including but not limited to:

- Changes to the fly in fly out roster to a 2 week on 2 week off schedule to minimize personnel contact (implemented April 1) and to allow for increased spacing between personnel on all flights,
- Reducing personnel working at site through work at home for non-essential staff,
- Meeting sizes to be kept to a minimum and social distancing measures implemented,
- Ensuring appropriate hygiene practices,
- Establishing an area of the camp for isolation rooms in the event required,
- A third party engaged to screen personnel prior to any person being permitted to board a flight to site; encompassing questionnaires to be answered and temperatures taken.

Additionally, the Company has developed an Infectious Disease Management Plan following the guidelines provided by the Government of Western Australia and the Department of Mines, Industry Regulation and Safety. Part of this plan includes the appointment of an Infectious Disease Manager.

As a "Fly In, Fly Out" operation, the Company requires any employee or visitor, who has travelled from overseas, to have self-isolated for 14 days prior to flying into the Plutonic Gold operations site, as directed by Australian Government Emergency Legislation. Additionally, the same restrictions have been placed on anyone exhibiting symptoms associated with or similar to COVID-19 prior to boarding Company flights into the Plutonic Gold operations, irrespective of where they have travelled from. Only personnel deemed essential are permitted to travel to site.

Should an employee display symptoms that are consistent with COVID-19, there is an established isolation area at site until it is confirmed that the employee has contracted COVID-19. If required, emergency MEDIVAC protocols are in place. Employees whose work can be performed off site have been instructed to work from home. At the corporate level, head office staff work remotely and the Company has suspended all international travel.

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

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

As noted above, the Company has developed an Infectious Disease Management Plan which includes steps to mitigate the effects of potential supply chain disruptions. The Company sources its critical supplies within Western Australia from a number of companies and therefore has alternate sources for its critical supplies.

As a result of the increase in gold prices, the Company's revenue stream has not been negatively impacted by COVID-19, to date and therefore has not been subject to emergency government measures to support the Company or its workers. The Company continues to monitor actions taken by governments in Australia and Western Australia, in particular, to develop plans to access any benefits that may become applicable. As noted above, the Company has been following the guidelines and legislation established by the Governments of Australia and Western Australia, to continue operating in order to produce and sell gold.

To date, the Company's ability to meet its borrowing and leasing obligations have not been impacted by COVID-19. As a result of the increase in gold prices and the fact that Plutonic Gold Operations continue to operate, the Company is not subject to concessions from lenders, landlords, suppliers or others nor has it received permission to defer payments, at this time. Credit markets remain open and as a gold producer, management believes it has access to additional credit should it become necessary, at costs that are not prohibitive.

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

The price of gold has increased over the comparable period in the three months ended March 31, 2019. This has had an effect on the Company's Call options and have resulted in an increase in the liability associated with these Call options, which are settled at the respective strike prices according to the terms under the Auramet gold loan (refer to note 9 of the condensed consolidated interim financial statements).

Key Business Developments

Plutonic Gold Operations

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

The Hermes Gold Mine is located approximately 65 kilometres south-west of the Plutonic Gold Mine. It includes the wholly-owned Hermes open pits, that until recently, were being mined as a conventional open pit contractor operated excavator-truck mining operation with ore being trucked for processing at the Plutonic Gold Mine mill, and the 80% interest in the Hermes South open pit project 20 kilometres south-west of the Hermes open pits. Extraction at the Hermes Gold Mine was suspended on May 31, 2019 as Management decided to focus on the Plutonic Gold Mine and other open pit opportunities near the mill while developing the best long-term open pit operational scenario for the Hermes Gold Mine.

Quarterly performance summary

The Plutonic Gold Operations produced and sold 16,351 and 16,850 ounces of gold, respectively, for the first quarter of 2020. Total cash costs[1] of $1,291/ounce sold and all-in sustaining costs of $1,416/ounce were below the realized gold price[1] of $1,570/ounce for the three-month period ending March 31, 2020. In comparison, 22,474 and 22,504 ounces of gold were produced and sold, respectively for the first quarter of 2019. Total cash costs[1] of $1,145/ounce sold and all-in sustaining costs of $1,246/ounce were below the realized gold price[1] of $1,305/ounce for the three-month period ending March 31, 2019.

Total cash costs and all-in sustaining cash costs increased over the prior period primarily as a result of no contribution of tonnages milled from the Hermes Gold Mine for the period (the Company ceased mining operations at the Hermes Gold Mine in May 2019) and slightly lower underground tonnes milled, partially offset by an increase in underground grade and from the processing of other low grade stockpiles. The variance from prior period for underground grade was the result of the Company continuing to target higher grade areas of the underground mine, where available, as the Company focuses its efforts on development and sequencing necessary to deliver on the long-term plan. Higher general and administrative costs were due to higher compensation costs in 2020 which stemmed from the addition of the Company's Chief Operating Officer. The Company used net cash in operations after working capital changes of $863 for the three months ending March 31, 2020.

Exploration Activities

During the first quarter, the Company operated three underground diamond drilling rigs with 20,396 metres of drilling completed. Of the total, 10,229 metres were drilled for grade control and stope design while 10,167 metres were for reserve and resource expansion.

Total expenditures for the quarter were $1,274, of which $644 was expensed and $630 was capitalized to mining interests. Total expenditures for the comparative 2019 quarter were $1,286, of which $552 was expensed and $734 was capitalized to mining interests.

The quarter consisted of drilling new mining fronts in the Caspian, Indian, Pacific and Baltic areas. Results are pending.

On February 10, 2020, the announced results from the ongoing underground diamond drill program focused on reserve and resource expansion at its 100%-owned Plutonic Gold mine in Western Australia. The drilling was targeting potential extensions to the gold mineralization within the Indian Zone.

The drilling was completed over a strike length of more than 150 metres and a vertical extent of more than 100 metres. Mineralization remains open both up and down dip and along strike. The Indian and Baltic Zones are key components of the recently announced five year underground Life of Mine ("LOM") plan that was announced in October 2019.

The following key findings were noted:

- 19 intersections encountered more than 5g Au/t
- 13 intersections encountered more than 10g Au/t
- 7 intersections encountered more than 25g Au/t
- 5 intersections encountered more than 50g Au/t .

[1] Refer to the "Non-IFRS Performance Measures" disclosure within this MD&A for a description and calculation of these measures.

Outlook

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

- Continue to improve the reconciliation between the underground grade mined and reserve grade
- Improve mining practices to lower costs and increase production
- Increase operational efficiencies
- Continue to optimize the global resource model
- Advance open pit opportunities close to the mill
- Accelerate exploration activities in 2020

With the Company's cash position and the ongoing cash from operations, the Company will continue towards executing on these growth and exploration objectives.

Summary of Operational Results

	Three months ended March 31	
	2020	**2019**
Stope material mined (000's t)	121	124
Stope grade mined (g/t)	3.34	2.79
Development ore mined (000's t)	61	71
Development grade mined (g/t)	2.36	1.75
Hermes ore mined (000's t)	-	510
Hermes grade mined (g/t)	-	1.06
Hermes waste mined (000's t)	-	1,297
Strip Ratio (t:t)	-	2.5
Underground ore milled (000's t)	190	192
Underground grade milled (g/t)	2.89	2.45
Hermes ore milled (000's t)	-	216
Hermes grade milled (g/t)	-	1.49
Other ore milled (000's t)	176	7
Other ore grade milled (g/t)	0.42	0.38
Total ore milled (000's t)	366	415
Grade milled (g/t)	1.7	1.9
Gold recovery (%)	82	88
Gold produced (oz)	16,351	22,474
Gold sold (oz)	16,850	22,504
Total cash costs ($/oz) [(1) (2)]	1,291	1,145
All-in sustaining costs ($/oz) [(1) (2)]	1,416	1,246
Realized gold price ($/oz) [(1)]	1,570	1,305

Quarterly operational results

The Plutonic Gold Operations produced, 16,351 ounces of gold in the three-month period ending March 31, 2020 as compared to 22,474 ounces of gold in three-month period ending March 31, 2019. The decrease is primarily as a result of no contribution from tonnages milled from the Hermes Gold Mine as the Company ceased mining operations at the Hermes mine in May 2019. The reduction in ounces from Hermes was partially offset by higher underground grades during the period as the Company continued

1. Refer to the "Non-IFRS Performance Measures" disclosure within this MD&A for a description and calculation of these measures.
2. Includes 4,968 ounces sold from Hermes pre-commercial production.

its efforts on development necessary to deliver on the new long-term plan and an increase in tonnages milled from other low-grade stockpiles.

Total material milled during the three months ended March 31, 2020 decreased by 12% to 366 k tonnes compared to the same period in 2019, primarily as a result of unexpected power outages, heavy rains and the cessation of mining activities at the Hermes Gold Mine, partially offset by an increase in Other low-grade tonnes milled in the three months ended March 31, 2020. Head grade decreased from 1.9 g/t to 1.7 g/t primarily as a result of a higher proportion of Other ore ("low-grade legacy stockpiles") milled in the three months ended March 31, 2020, which also reflected the absence of Hermes ore. Recovery rates decreased from 88% to 82% as a result of Hermes ore being replaced by low-grade legacy stockpiles which typically experiences lower recoveries and higher than anticipated arsenic content in some of the underground mined areas.

Gold sold decreased by 5,654 ounces to 16,850 during the three months ended March 31, 2020 versus the comparative period in 2019. The 25% decrease was primarily due to the absence of tonnes milled from Hermes, partially offset by higher grade underground ore and low-grade legacy stockpiles in the quarter.

Total cash costs[1] were $1,291/ounce sold for the three months ended March 31, 2020, an increase from $1,145/ounce sold from the three months ended March 31, 2019 due to an increase in underground mining costs of $2,727. The bulk of this increase in the underground was for additional labour reflecting steps taken throughout 2019 to address supervisory, planning and maintenance matters. The increase in underground mining costs was partially offset by lower Hermes mining costs of $9,013 following its stoppage in May 2019. All-in sustaining costs[1] increased from $1,246/ounce sold to $1,416/ounce sold mainly due to higher total cash costs per ounce and the reduction in ounces sold.

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

Summary of Quarterly Financial Results

	Three month period ended March 31, 2020	Three month period ended December 31, 2019	Three month period ended September 30, 2019	Three month period ended June 30, 2019
Revenue	$ 26,476	$ 27,959	$ 26,588	$ 31,629
Cost of sales	23,701	29,119	29,845	32,739
Exploration expense	644	812	777	523
General and administrative	1,017	1,167	1,051	657
Operating Income (loss)	1,114	(3,139)	(5,085)	(2,290)
Income (loss) before taxes	(3,804)	(3,627)	(5,668)	(2,314)
Net income (loss)	(3,836)	(3,375)	(4,150)	(1,909)
Earnings (loss) per share				
–basic and diluted	(0.04)	(0.03)	(0.04)	(0.02)
Adjusted net income (loss) [1]	(115)	(3,156)	(3,875)	(1,909)
Adjusted net income (loss) per share – basic [1]	(0.00)	(0.03)	(0.04)	(0.02)
Cash flow from (used in) operations	(863)	10,507	730	4,247

	As at March 31, 2020	As at December 31, 2019	As at September 30, 2019	As at June 30, 2019
Cash and cash equivalents	16,279	22,232	13,993	17,187
Non-current assets	58,074	62,882	62,038	61,052
Total assets	82,982	96,920	88,136	95,961
Current liabilities	30,240	37,135	28,423	29,566
Non-current liabilities	31,495	32,318	29,787	31,320

[1] Refer to the “Non-IFRS Performance Measures” disclosure within this MD&A for a description and calculation of these measures.

	Three month period ended March 31, 2019	Three month period ended December 31, 2018	Three month period ended September 30, 2018	Three month period ended June 30, 2018 [2]
Revenue	$ 29,407	$ 23,917	$ 31,333	$ 33,631
Cost of sales	30,960	31,054	32,525	30,501
Exploration expense	552	501	616	485
General and administrative	973	978	981	1,080
Operating Income (loss)	(3,078)	(8,616)	(2,789)	1,565
Income (loss) before taxes	(3,108)	(9,099)	(2,452)	1,282
Net income (loss)	(2,585)	(6,714)	(1,748)	737
Earnings (loss) per share				
–basic and diluted	(0.03)	(0.07)	(0.02)	0.01
Adjusted net income (loss) [1]	(2,622)	(6,873)	(2,059)	654
Adjusted net income (loss) per share – basic [1]	(0.03)	(0.07)	(0.02)	0.01
Cash flow from operations	403	(374)	3,582	4,959

	As at March 31, 2019	As at December 31, 2018	As at September 30, 2018	As at June 30, 2018
Cash and cash equivalents	16,098	17,332	21,959	21,762
Non-current assets	63,031	63,167	66,028	69,461
Total assets	97,036	95,906	103,660	108,976
Current liabilities	27,403	25,998	18,675	19,202
Non-current liabilities	32,382	31,015	38,795	41,110

Results of Operations

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

The price of gold has increased over the comparable period in 2019, which has increased revenue in the three months ended March 31, 2019. Other than the increase in the liability associated with the Company's Call options, which are settled at their respective strike prices according to the terms under the Auramet gold loan (refer to note 9 of the condensed consolidated interim financial statements), there have been no materially negative impacts on the Company's operations as a result of COVID-19 for the period ended March 31, 2020.

Operating Income (loss)

Operating income for the three months ended March 31, 2020 was $1,114 compared to an Operating loss of $3,078 for the three months ended March 31, 2019 due to lower Cost of sales of $7,259, partially offset by lower Revenue of $2,931 as outlined in the Cost of sales section of this MD&A.

Revenues

During the three months ended March 31, 2020 Metal sales totaled $26,476 from the sale of 16,850 ounces of gold, a decrease of $2,931 from $29,407 from the sale of 22,504 ounces of gold for the three months ended March 31, 2019. Lower gold revenues resulted from 5,654 fewer ounces being sold

[1] Refer to the "Non-IFRS Performance Measures" disclosure within this MD&A for a description and calculation of these measures.

partially offset by an increase in the realized gold price[1] to $1,570/ounce from $1,305/ounce. The reduction in ounces sold was due to fewer ounces being produced as a result of decreased millfeed from Hermes and lower recoveries, partially offset by other low grade stockpiles and higher grades from underground operations.

Cost of Sales

	Three months ended March 31	
	2020	**2019**
Mining	$14,399	$20,790
Processing	4,959	5,457
Depreciation and amortization	1,810	5,670
Site services	1,133	749
Gold royalty	691	802
Change in inventories	709	(2,508)
	$23,701	**$30,960**

Cost of Sales were $23,701 for the three months ended March 31, 2020, a decrease of $7,259 from $30,960 for the three months ended March 31, 2019. Cost of sales includes mine production costs, processing costs, site services, royalties, and depreciation and amortization. Cost of sales were lower in the current period versus the same period in 2019 predominantly due to a reduction in mining costs at Hermes of $9,013 following its stoppage, partially offset by higher payroll and maintenance costs at the underground operations. The higher payroll accounted for approximately $1,978 of the offsetting increase in costs at the underground operation over the comparable period in 2019 which included additional personnel hired in 2019 to address underground supervisory, planning and maintenance matters. Processing costs were lower due to fewer tonnes processed while depreciation and amortization decreased as a result of the Reserve and Resource update announced in May 2019 and the stoppage of mining at the Hermes Gold Mine. The Plutonic Gold Operations uses the unit-of-production basis when depreciating and amortizing mine specific assets which results in a depreciation and amortization charge proportional to the depletion of the anticipated remaining life of mine which is based on the estimated mineral reserves and mineral resources of the property to which the assets relate. The decrease in gold royalties was a result of fewer ounces sold in the quarter, partially offset by the higher gold price. Cost of sales increased as a result of the variance in the Change in inventories category. The credit balance of $2,508 in the three months ended March 31, 2019 reflected the build-up up Hermes ore stockpile inventory. The Change in inventory of $709 in the three months ended March 31, 2020 reflected the drawdown of finished goods inventory relative to the three months ended March 31, 2019. Site services increased due mainly to higher contractor and employee labour costs reflecting initiatives undertaken in 2019.

General and administrative

In comparison to the three months ended March 31, 2019, general and administrative expenses increased by $44 in the three months ended March 31, 2020 due to higher payroll costs as a result of the addition of the Company’s Chief Operating Officer.

Other Expenses (Income)

Other Expenses for the three months ended March 31, 2020 totaled approximately $4,918 and included: i) the Change in valuation of Derivative financial instruments of $3,675, ii) a Gold Loan accretion charge of $726 and iii) foreign exchange losses of $327. Other Expenses for the three months ended March 31, 2019 totaled $30 and included 1) $120 of accretion on provisions and 2) $113 for lease and short-term finance charges offset by a foreign exchange gain of $141 and interest income of $45.

The Change in the valuation of Derivative financial instruments of $3,675 stems from the revaluation of the Call Options issued as part of the gold loan ("Gold loan") agreement with Auramet International LLC ("Auramet") in the fourth quarter of 2019. The charge reflects the increase in value of the Call options primarily as a result of the increase in the gold price. The Gold loan accretion charge also stems from the Gold loan agreement with Auramet.

Net loss for the period ended March 31, 2020

The total net loss of $3,836 for the three months ended March 31, 2020 resulted primarily from the Change in valuation of Derivative financial instruments of $3,675 and Gold loan accretion charge of $726, as noted previously, partially offset by Operating income of $1,114. The total net loss of $2,585 for the three months ended March 31, 2019 resulted primarily from the Operating loss of $3,078, partially offset by an income tax recovery of $523.

Adjusted net income (loss)

Adjusted net loss for the first quarter of 2020 amounted to $115 or $0.00 per share compared to adjusted net loss of $2,622 or $0.03 per share in the three months ended March 31, 2019, primarily due to the higher Operating loss in the comparative prior period (refer to the table in the section labeled "Adjusted Net Income and Adjusted basic net income per share" of this MD&A).

Adjusted net income/loss includes the following: Net income/loss was adjusted to exclude specific items that are not reflective of the underlying operations of the Company, including: Restructuring expenses, loss on settlement of the contingent royalty payable to Northern Star, gains/losses on derivative financial instruments, the change in valuation of the warrant liability, and the associated impact on income taxes. Adjusting for these items provides an additional measure to evaluate the underlying operating performance of the Company as a whole for the reporting periods presented. Refer to section "Non-IFRS Financial Performance Measures" for a reconciliation of the net income/loss to adjusted net income/loss.

Financial Position as at March 31, 2020

As at March 31, 2020, the Company's current assets totaled $24,908 and current liabilities amounted to $30,240, including the Contingent Royalty payable to Northern Star Resources of $3,951, for a net working capital deficit of $5,332. The Company has the option to forego the buyback and pay the Northern Star royalty as it accrues, based on the terms of the Plutonic Gold Operations purchase and sale agreement. The majority of the current assets are cash and cash equivalents of $16,279 and inventories of $6,619. The increase in the working capital deficit, from $3,097 as at December 31, 2019, was mainly the result of the increase in the current portion of the Derivative financial instruments reflecting the increase in the Call option liability under the Gold loan.

Non-current assets decreased by $4,808 from December 31, 2019. The decrease was mainly the result of foreign exchange impacts on non-current asset balances of $7,620 and depreciation expense of $1,825, partially offset by additions during the three months ended March 31, 2020. Non-current asset additions were $2,104. Of this amount, $1,387 resulted from increases to the rehabilitation asset mainly due to changes in discount and inflation rates and $717 was spent on development of the ongoing underground operations. Additionally, $1,378 of capital expenditures were incurred during the three months ended March 31, 2020, $825 of which was for expansion of a tailings storage facility, $217 was for betterments to existing equipment, and $210 of which was for mobile equipment. Additions to Right of use assets of $1,155 were predominantly for the addition of one underground jumbo drill.

Current liabilities decreased by $6,895 to $30,240 mainly due to the reduction in accounts payable and accrued liabilities balances due to the timing of payments. In addition, the current portion of Deferred revenue decreased by $1,275 stemming from foreign exchange movements associated with the Gold loan.

Non-current liabilities decreased by $823, a result of the impact of foreign exchange movement on rehabilitation liability, partially offset by changes in the discount and inflation rates, a reduction in Deferred revenue stemming from repayments under the Gold loan, partially offset by an increase in the non-current portion of Derivative financial instruments reflecting the mark-to-market charge on the Call options issued as part of the Gold loan. The increase in the Derivative financial instrument liability reflects a higher value associated with the Call options due to increases in the gold price.

Share capital consisted of capital stock, net of issue costs, of $50,107. The increase of $82 from December 31, 2019 resulted from the issuance of shares for services.

Cash used in Operating Activities

During the three months ended March 31, 2020 cash used in operating activities was $863, while cash from operating activities was $403 for the three months ended March 31, 2019. The decrease in cash generated from operating activities resulted mainly from repayments under the Gold loan of $1,882, partially offset by Operating income, excluding depreciation expense, in the three months ended March 31, 2020. By comparison, the Operating loss, excluding depreciation expense and tax recovery, in the three months ended March 31, 2019 resulted in cash from operating activities of $403.

Cash used in Investing Activities

Cash used in investing activities in the three months ended March 31, 2020 primarily comprised expenditures on mine interests, property, plant and equipment of $1,823 primarily in support of underground mine development and mill improvements, an increase of 44% compared to the $1,263 spent in the three months ended March 31, 2019.

Cash used in Financing Activities

Cash used in financing activities in the three months ended March 31, 2020 of $1,359 was comprised of repayments of the Company's lease obligations, short-term loan and interest thereon. For the three months ended March 31, 2019 cash used in financing activities comprised repayments of the Company's lease obligations, short-term loan and interest thereon of $1,048, partially offset by proceeds on issuance of shares stemming from the exercise of warrants of $467. The increase from 2019 was a result of payments in respect of additions to the mobile fleet and higher repayments under the short-term, loan reflecting higher insurance premiums in 2020.

Dividends

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

Liquidity and Capital Resources

The price of gold has increased since the COVID-19 outbreak, which has increased revenue over the comparable period in the three months ended March 31, 2019 and estimates for the price of gold remain positive for the next twelve months. Other than the increase in the liability associated with the Company's Call options, which are settled in gold, there have been no materially negative impacts on the Company's operations as a result of COVID-19 to date.

The Company currently sells gold to two counterparties; the Perth Mint and Auramet. There have been no materially negative impacts on the Company's ability to sell gold or deliver gold into the Call options or the Gold loan with Auramet. There can be no assurance that the Company would be successful in selling ounces to the Perth Mint or Auramet should conditions change as a result of a COVID-19 outbreak. Additionally, debt or equity markets in the future may be impacted by a COVID-19 outbreak which could have a material impact on the Company's ability to access such debt or equity market.

During the three months ended March 31, 2020, the Company used cash balances, including proceeds secured under the Gold loan in the fourth quarter of 2019, and cash inflows from the Plutonic Gold Operations to fund its expenditures on mineral interests and property, plant and equipment, as well as pay down its accounts payables and lease obligation balances. On November 12, 2019, the Company entered into a Senior Secured agreement with Auramet International LLC under which the Company received gross proceeds of AUD$15 million before associated costs. In accordance with the agreement for the gross proceeds under the Gold Loan, the Company: is required to deliver a total of 7,920 ounces of gold over 18 equal monthly instalments (beginning January 31, 2020 and ending June 30, 2021); granted Auramet 20,000 gold 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); 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 (all of the puts and calls under the zero cost collar price protection program have 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 Auramet for a period that is not less than 6 months following repayment of the Gold Loan (refer to notes 9 and 10 of the condensed consolidated interim financial statements).

During the three months ended March 31, 2019, the Company used cash balances and cash inflows from the Plutonic Gold Operations to fund its expenditures on mineral interests and property, plant and equipment, as well as pay down its lease obligation.

The Company forecasted that it will have sufficient cash inflows to satisfy the Company's obligations as they come due over the next twelve months. As at March 31, 2020, Superior Gold has cash and cash equivalents of $16,279 and a working capital deficit of $5,332.

Management believes the cash on hand and subsequent cash from operations of the Plutonic Gold Operations are sufficient to fulfill its immediate operating and capital requirements. The Company may require the issuance of equity or other forms of financing to complete or accelerate programs associated with any future development and exploration initiatives that are not contemplated in its current life of mine plan. Superior Gold's ability to raise equity and other forms of financing in the future under terms acceptable to the Company will be dependent on operating performance and on global markets, in particular, the price of gold and currency exchange rates.

Off Balance Sheet Arrangements

Refer to the Liquidity and Capital Resources section above for a discussion of the Company's off-balance sheet arrangements.

Commitments

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

	March 31, 2020	December 31, 2019
Property, plant and equipment (i)	$ 411	$ 2,363
Termination payment (ii)	3,396	420
Guarantee (ii)	2,007	-
	$ 5,814	**$ 2,783**

(i) Capital commitments

In the three months ended March 31, 2020, the Company entered into commitments for milling and mobile equipment. These commitments totalled $411 at March 31, 2020 (December 31, 2019 - $2,363).

(ii) Guarantee and Termination payment

The Company has signed an agreement with its existing supplier to upgrade its power supply. The agreement includes a termination provision in the event the Company terminates the upgrade of the power supply prior to its completion in the amount of $3,396 as at March 31, 2020 (December 31, 2019 - $420). In addition, on or before July 1, 2021, the Company is required to provide a guarantee to the supplier in the amount of $2,007 that may become payable as a result of non-payment under the power supply arrangement.

Critical Accounting Policies and the Use of Estimates

A detailed summary of the Company's significant accounting policies, including the use of estimates, is included in the Company's audited consolidated financial statements for the year ended December 31, 2019. The preparation of the condensed consolidated interim financial statements requires management to make estimates and judgments which are described in the Company's audited consolidated financial statements for the year ended December 31, 2019.

The accounting policies and management estimates applied in the condensed consolidated interim financial statements for the three months ended March 31, 2020 are consistent with those used in the Company's consolidated financial statements for the year ended December 31, 2019. Other than the increase in the liability associated with the Company's Call options, primarily as a result of the increase in gold prices, there have been no material impacts on the Company's key assumptions underlying critical accounting estimates and judgements as of the date of this MD&A.

Management has taken into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. While there have been no indicators of a negative impact on the Company's financial or operating results as a result of COVID-19, the Company is nonetheless subject to the risk of a self or government-imposed shutdown of its producing operations as a result of a COVID-19 outbreak. Such a shutdown could have a material impact on the Company's operations.

Financial Instruments

The Company's significant accounting policies regarding its financial instruments are set out in the Company's audited consolidated financial statements for the year ended December 31, 2019 and are consistent with those used in the Company's condensed consolidated interim financial statements for the three months ended March 31, 2020. The Company is of the opinion that it is not exposed to significant interest, currency or credit risks arising from outstanding financial instruments.

Adoption of New or Amended Accounting Policies

The Company adopted the following accounting standards and amendments to accounting standards, effective January 1, 2020:

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020.

On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, as well as the related Standard on disclosures, IFRS 7 Financial Instruments: Disclosures in relation to Phase 1 of IBOR Reform and its Effects on Financial Reporting project. The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The adoption of these amendments had no impact on the condensed consolidated interim financial statements.

Recent Accounting Pronouncements

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

Outstanding Share Data

The following table summarizes the capitalization of the Company as at May 11, 2020, the date of this MD&A:

	Exercise price	Expiry date	Quantity
Number of common shares issued			
Common shares	Not applicable	Not applicable	97,134,473
Number of common shares issuable			
Stock options	$0.72	February 23, 2022	4,816,667
Stock options	$0.72	July 5, 2022	150,000
Stock options	$0.72	September 5, 2022	200,000
Stock options	$0.92	June 8, 2023	125,000
Stock options	$0.37	March 29, 2024	750,000
Stock options	$0.69	August 15, 2024	50,000
Stock options	$0.56	September 25, 2024	250,000
Stock options	$0.39	December 18, 2024	150,000
Stock options	$0.34	March 30, 2025	200,000
PSUs	Not applicable	June 8, 2021	125,000
PSUs	Not applicable	March 29, 2022	166,667
PSUs	Not applicable	May 14, 2022	151,500
RSUs	Not applicable	August 15, 2022	50,000
Warrants	$1.5166	February 23, 2022	14,429,521
			118,748,828

Non-IFRS Performance Measures

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

Total cash costs and All-in sustaining costs

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

(in thousands of dollars, except oz or per oz amounts)	**Three months ended March 31**	
	2020	**2019**
Gold sold (oz)	16,850	22,504
Cost of Sales	$23,701	$30,960
Adjustments for:		
Depreciation and amortization	(1,825)	(5,687)
Share-based payments included in Cost of Sales	(12)	(19)
Inventory movements	(99)	553
Silver credits and other	(17)	(30)
Cash costs	$21,748	$25,777
Total cash costs (per gold oz)	$1,291	$1,145
Adjustments for items affecting all-in sustaining cash costs:		
Sustaining exploration and capital expenditures[1]	1,031	1,158
Share-based payments included in Cost of Sales	12	19
Corporate, general and administration[2]	1,017	973
Rehabilitation accretion	56	120
All-in sustaining cost	$23,864	$28,047
All-in sustaining cost (per gold oz)	$1,416	$1,246

Realized gold price

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

(in thousands of dollars, except oz or per oz amounts)	**Three months ended March 31**	
	2020	**2019**
Metal sales	$26,476	$29,407
Silver sales	(17)	(30)
Revenues from gold sales	26,459	29,377
Gold sold (oz)	16,850	22,504
Realized gold price ($/oz)	$1,570	$1,305

Adjusted net income and Adjusted basic net income per share

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

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

Adjusted net income/loss is defined as net income/loss adjusted to exclude specific items that are not reflective of the underlying operations of the Company, including: loss on settlement of the contingent payable to Northern Star, bargain purchase gain on the acquisition of the Plutonic Gold Operations, the change in valuation of the warrant liability, business acquisition costs, charges pertaining to derivative financial instruments and the impact on income taxes. Adjusted basic net income/loss per share is calculated using the weighted average number of shares outstanding under the basic method of income/loss per share as determined under IFRS.

	Three months ended March 31	
(in thousands of dollars, except per share amounts)	**2020**	**2019**
Net income (loss) for the period	($3,836)	($2,585)
Adjusted for:		
Restructuring expenses	-	-
Loss on settlement of contingent royalty payable to Northern Star	66	68
Derivatives financial instruments	3,675	-
Change in valuation of the warrant liability(1)	-	(85)
Business acquisition costs (recovery)(1)	-	-
Effect on income taxes of the above items	(20)	(20)
Adjusted net income (loss)	($115)	($2,622)
Weighted average number of common shares outstanding - basic	97,065,989	96,502,251
Adjusted basic net income (loss) per share	(0.00)	(0.03)

Disclosure Controls and Procedures

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

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

i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

1. Balance included in the statement of comprehensive earnings.

ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's accounting policies.

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

Risks and uncertainties

The Company is subject to a number of risks and uncertainties which are not discussed in this MD&A. If any of such risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose a significant proportion of any investment in the Company. To properly understand such risks, readers are directed to the Company's Final Long Form Prospectus dated February 15, 2017 under the heading "Risk Factors". The Final Long Form Prospectus is available on SEDAR (www.sedar.com).

In addition to the risks and uncertainties outlined in the Company's Final Long Form Prospectus, readers should also be aware of the following specific risk in relation to the current novel Coronavirus pandemic: The Company is exposed to outbreaks or threats of outbreaks of viruses, other infectious diseases or other similar health threats, including the novel coronavirus ("COVID-19") outbreak, which could have a material adverse effect on the Company by causing operational and supply chain delays and disruptions, labour shortages, shutdowns, the inability to sell gold, capital markets volatility or other unknown but potentially significant impacts. The Company cannot accurately predict what effects these conditions will have on the Plutonic Gold Operations or the financial results of the Company, including uncertainties relating to travel restrictions to the Plutonic Gold Operations or otherwise and business closures that have been or may be imposed by governments. If an outbreak or threat of an outbreak of a virus or other infectious disease or other public health emergency occurs, it could have a material adverse effect on the Company's business, financial condition and results of operations.

Forward-looking information

This MD&A contains forward-looking information, within the meaning of applicable Canadian securities legislation, and forward looking statements, within the meaning of applicable United States securities legislation (collectively, "forward-looking information"), which reflects management's expectations regarding the Company's future growth, results from operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects and opportunities. Wherever possible, words such as "predicts", "projects", "targets", "plans", "expects", "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative or grammatical variation thereof or other variations thereof, or comparable terminology have been used to identify forward-looking information. Such forward-looking information includes, without limitation, statements with respect to mineral reserve and mineral resource estimates; targeting additional mineral resources and expansion of deposits; the Company's dependency on the Plutonic Gold Operations for operating revenue and cash flows in the near term; the Company's ability to extend the life of the Plutonic Gold Operations; the mineral reserve and mineral resource estimates in the Company's amended and restated technical report filed on July 30, 2019 ("Technical Report"); the Company's expectations, strategies and plans for the Plutonic Gold Mine, including the Company's planned exploration, development and production activities at the Plutonic Gold Operations; the results of future exploration and drilling at the Plutonic Gold Operations; satisfying the requirements for the Company to maintain its interest in the Bryah Basin joint venture; successfully adding or upgrading resources and successfully developing new deposits; future financial or operating performance and condition of the Company and its business, operations and properties; the Company's ability to adequately account for potential mine closure and remediation costs; the Company's adoption of and expectations regarding new accounting standards and interpretations, including the introduction of IFRS 9, IFRS 15, and IFRS 16; and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements.

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

Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors (as referenced elsewhere in this MD&A) which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information.

The Company cautions that the foregoing lists of important assumptions and risks, uncertainties and other factors are not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information contained herein. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

In addition, please note that statements relating to "mineral reserves" or "mineral resources" are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions that the mineral reserves and mineral resources described can be profitably mined in the future.

Forward-looking information contained herein is made as of the date of this MD&A and the Company disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or results or otherwise, except as and to the extent required by applicable securities laws.

Technical Information

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

Additional Information

Additional information regarding the Company can be found at www.sedar.com and www.superior-gold.com.