



**SUPERIOR  
GOLD INC.**

**Condensed Consolidated  
Interim Financial Statements**

September 30, 2021

(Unaudited - Expressed in thousands of United States dollars)

## SUPERIOR GOLD INC.

### Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

(Expressed in thousands of United States Dollars)

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 20,537	\$ 17,294
Receivables and other assets	1,445	4,275
Inventories (note 6)	9,220	8,797
<b>Total current assets</b>	<b>31,202</b>	<b>30,366</b>
<b>Non-current assets</b>		
Mining interests; and property, plant and equipment (note 7)	72,260	78,800
<b>TOTAL ASSETS</b>	<b>\$ 103,462</b>	<b>\$ 109,166</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 15,205	\$ 15,583
Current portion of deferred revenue (note 9)	-	3,919
Current portion of derivative financial instruments (note 10)	239	2,156
Short-term loan (note 8)	-	1,194
Current portion of lease obligation (note 17)	2,665	3,085
Current portion of provisions (note 11)	5,631	5,818
<b>Total current liabilities</b>	<b>23,740</b>	<b>31,755</b>
<b>Non-current liabilities</b>		
Lease obligation (note 17)	8,709	10,548
Provisions (note 11)	27,578	29,216
Deferred share units liability (note 14 (d))	51	-
Deferred tax liability (note 16)	2,282	515
<b>Total non-current liabilities</b>	<b>38,620</b>	<b>40,279</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 62,360</b>	<b>\$ 72,034</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 14(a and b))	\$ 62,493	\$ 62,008
Contributed Surplus	6,605	6,484
Accumulated other comprehensive income (loss)	(3,383)	(931)
Retained deficit	(24,613)	(30,429)
<b>TOTAL EQUITY</b>	<b>\$ 41,102</b>	<b>\$ 37,132</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 103,462</b>	<b>\$ 109,166</b>

*Commitments and contingencies note 12*

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

## SUPERIOR GOLD INC.

### Condensed Consolidated Interim Statements of Income (Loss) and

### Comprehensive Income (Loss)

(Unaudited)

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
<b>REVENUES</b>				
Metal sales (note 5)	\$ 34,187	27,223	\$ 99,825	\$ 78,725
<b>EXPENSES</b>				
Cost of sales	28,300	25,600	84,751	73,456
Exploration expense	834	811	2,053	2,068
General and administrative	1,425	1,209	4,450	2,907
<b>OPERATING INCOME (LOSS)</b>	3,628	(397)	8,571	294
<b>OTHER EXPENSES (INCOME)</b>				
Net finance cost (note 15)	283	515	974	1,849
Restructuring expenses	1,113	1,173	1,927	1,173
Gain on sale of assets	(59)	-	(64)	-
Change in valuation of royalty payable (note 19)	-	-	-	132
Change in valuation of derivative financial instruments (note 10)	(90)	(66)	(1,903)	3,297
<b>INCOME (LOSS) BEFORE TAXES</b>	2,381	(2,019)	7,637	(6,157)
Income and mining tax expense (note 16)	1,290	32	1,821	94
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	\$ 1,091	\$ (2,051)	\$ 5,816	\$ (6,251)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Foreign currency translation difference on foreign operations	(1,553)	695	(2,452)	127
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	\$ (462)	\$ (1,356)	\$ 3,364	\$ (6,124)
<b>Net income (loss) per share (note 14(e)):</b>				
Basic income (loss) per share	\$ 0.01	\$ (0.02)	\$ 0.05	\$ (0.06)
Diluted income (loss) per share	0.01	(0.02)	0.05	(0.06)
Weighted average number of Common Shares outstanding (basic)	122,309,562	97,134,473	121,983,420	97,111,728
Weighted average number of Common Shares outstanding (diluted)	122,429,913	97,134,473	122,244,390	97,111,728

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

**SUPERIOR GOLD INC.**

**Condensed Consolidated Interim Statements of Changes in Equity**

**(Unaudited)**

**(Expressed in thousands of United States Dollars)**

		Number of shares issued	Share capital	Contributed Surplus	Retained earnings	Accumulated other comprehensive income/(loss)	
	Note						Total
<b>Balance as at January 1, 2020</b>		<b>96,982,473</b>	\$ 50,025	\$ 6,026	\$ (25,656)	\$ (2,928)	\$ 27,467
Shares for services	14	152,000	82	-	-	-	82
Share-based payments	14	-	-	383	-	-	383
Total comprehensive loss	-	-	-	-	(6,251)	127	(6,124)
<b>Balance as at September 30, 2020</b>		<b>97,134,473</b>	\$ 50,107	\$ 6,409	\$ (31,907)	\$ (2,801)	\$ 21,808
<b>Balance as at January 1, 2021</b>		<b>121,778,973</b>	\$ 62,008	\$ 6,484	\$ (30,429)	\$ (931)	\$ 37,132
Exercise of stock options	14	50,000	29	(8)	-	-	21
Issuance of RSUs	14	906,085	456	(57)	-	-	399
Share-based payments, excluding cash settled awards	14	-	-	186	-	-	186
Total comprehensive income (loss)	-	-	-	-	5,816	(2,452)	3,364
<b>Balance as at September 30, 2021</b>		<b>122,735,058</b>	\$ 62,493	\$ 6,605	\$ (24,613)	\$ (3,383)	\$ 41,102

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

## SUPERIOR GOLD INC.

### Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States Dollars)

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
<b>Cash flows provided from (used by):</b>				
<b>OPERATING ACTIVITIES</b>				
Net Income (loss) for the period	\$ 1,091	\$ (2,051)	\$ 5,816	\$ (6,251)
<b>Adjustments:</b>				
Depreciation and amortization	2,569	2,486	7,581	6,449
Change in valuation of royalty payable	-	-	-	132
Share-based payments	(19)	65	237	383
Employee provisions expense	776	739	2,851	2,126
Net finance (income) cost	283	515	974	1,849
Change in valuation of derivative financial instruments	(90)	(66)	(1,903)	3,297
Gain on sale of assets	(59)	-	(64)	-
Income tax expense	1,290	32	1,821	94
Gold loan repayments	-	(2,045)	(4,413)	(5,806)
Employee provisions paid	(776)	(659)	(2,616)	(1,514)
	5,065	(984)	10,284	759
<b>Net changes in non-cash working capital items:</b>				
Receivables and other assets	1,069	200	2,713	2,206
Inventories	(959)	(204)	(1,014)	37
Accounts payable and accrued liabilities	1,119	1,365	1,016	(2,909)
	6,294	377	12,999	93
<b>INVESTING ACTIVITIES</b>				
Interest received	3	7	10	44
Expenditures on mineral interests; and property, plant and equipment	(1,608)	(1,270)	(4,868)	(4,290)
Proceeds on sale of assets	59	-	97	-
	(1,546)	(1,263)	(4,761)	(4,246)
<b>FINANCING ACTIVITIES</b>				
Issuance of Common Shares	-	-	21	-
Repayment of short-term loan	(66)	(122)	(1,200)	(810)
Repayment of lease obligation	(696)	(858)	(2,524)	(2,786)
Interest paid	(174)	(156)	(586)	(327)
	(936)	(1,136)	(4,289)	(3,923)
<b>Effect of exchange rates on cash &amp; cash equivalents</b>				
	(687)	484	(706)	(79)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>3,125</b>	<b>(1,538)</b>	<b>3,243</b>	<b>(8,155)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>17,412</b>	<b>15,615</b>	<b>17,294</b>	<b>22,232</b>
<b>Cash and cash equivalents, end of period</b>	<b>20,537</b>	<b>14,077</b>	<b>20,537</b>	<b>14,077</b>

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

# **SUPERIOR GOLD INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2021 (expressed in thousands of United States dollars unless otherwise stated)**

---

### **1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS**

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

On March 11, 2020, the World Health Organization declared COVID-19 as a global pandemic and therefore the Company is susceptible to the impacts from COVID-19. The duration of the COVID-19 pandemic is currently unknown, as are future measures to reduce the spread of COVID-19. The unpredictable nature of the length of the COVID-19 pandemic and the severity of measures that may be taken is subject to significant variability and accordingly, estimates as to the impact on the Company’s financial results in future periods is uncertain. The judgments, inputs and assumptions used as at September 30, 2021 and for the three and nine months ended September 30, 2021, whether related to COVID-19 or otherwise, have been considered and, where appropriate, reflected in the financial statements. The future impact of COVID-19 actions are unknown. To address the risk of the pandemic to the Plutonic Gold Operations (“Plutonic”), the Company has instituted a number of measures to reduce the potential risk to employees and communities. To date COVID-19 has not had a significantly negative impact on the Company’s operations.

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

### **2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

#### **Basis of measurement**

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

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

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

# **SUPERIOR GOLD INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

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

---

### **Basis of consolidation**

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

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

### **3. NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY**

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

### **4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

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

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

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

In May 2021, the IASB published a narrow scope amendment to IAS 12 *Income taxes*. In September 2021, IAS 12 was revised to reflect this amendment. The amendment narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as deferred taxes on leases and decommissioning obligations. The amendment is effective for annual periods beginning on or after January 1, 2023, and applied retrospectively. The Company will adopt the amendment on the date it becomes effective.

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

### **5. METAL SALES**

	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Gold sales	\$ 34,166	\$ 27,205	\$ 99,738	\$ 78,644
Silver sales	21	18	87	81
	<b>\$ 34,187</b>	<b>\$ 27,223</b>	<b>\$ 99,825</b>	<b>\$ 78,725</b>

The Company's main source of revenue is the sale of gold. The sale of gold is transacted with two customers, The Perth Mint

# SUPERIOR GOLD INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021

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

and Auramet International LLC ("Auramet"). There are no contract receivables for gold sales as at September 30, 2021 or December 31, 2020.

### 6. INVENTORIES

	September 30, 2021	December 31, 2020
Consumable stores	\$ 5,129	\$ 5,106
Stockpiles	711	267
Gold in circuit	3,220	3,351
Dore on hand	160	73
	<b>\$ 9,220</b>	<b>\$ 8,797</b>

The cost of inventories recognized as an expense and included in Cost of sales in the three and nine months ended September 30, 2021 (2020) was \$28,323 (\$25,583) and \$84,765 (\$73,412), respectively. During the three and nine months ended September 30, 2021, there were \$nil write downs (September 30, 2020 - \$13) of consumables inventory.

### 7. MINING INTERESTS; AND PROPERTY, PLANT AND EQUIPMENT

	Mining interests	Property, plant and equipment	Capital work in progress	Total
<i>Cost:</i>				
<b>As at December 31, 2020</b>	\$ 92,303	\$ 47,626	\$ 931	\$ 140,860
Additions	2,913	-	2,084	4,997
Right of use assets (note 17)	-	1,076	-	1,076
Transfers	-	2,516	(2,516)	-
Disposals	-	(726)	-	(726)
Foreign exchange movement	(6,083)	(3,235)	(34)	(9,352)
<b>September 30, 2021</b>	<b>89,133</b>	<b>47,257</b>	<b>465</b>	<b>136,855</b>
<i>Accumulated depreciation:</i>				
As at December 31, 2020	39,701	22,359	-	62,060
Depreciation charge	1,998	5,583	-	7,581
Disposals	-	(693)	-	(693)
Foreign exchange movement	(2,653)	(1,700)	-	(4,353)
<b>September 30, 2021</b>	<b>39,046</b>	<b>25,549</b>	<b>-</b>	<b>64,595</b>
<i>Net book value:</i>				
As at beginning of period	\$ 52,602	\$ 25,267	\$ 931	\$ 78,800
<b>As at September 30, 2021</b>	<b>\$ 50,087</b>	<b>\$ 21,708</b>	<b>\$ 465</b>	<b>\$ 72,260</b>

## SUPERIOR GOLD INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021

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

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

In the nine months ended September 30, 2021 the Company capitalized \$nil (December 31, 2020 - \$nil) of costs pertaining to the unincorporated Bryah Basin joint venture.

The right-of-use assets will be amortized over the remaining term of the contracts, which is 1.3 to 3.9 years as of September 30, 2021.

### 8. SHORT-TERM LOAN

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

### 9. DEFERRED REVENUE

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

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

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

## **SUPERIOR GOLD INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

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

---

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

In June 2021, the 7,920 ounces were delivered and nil (December 31, 2020 – 2,640) ounces of gold remained to be delivered. Under the zero-cost collar price protection program, during the twelve-month period ended December 31, 2020, Auramet exercised 19,800 ounces of calls and the Company delivered the ounces to Auramet for proceeds at an average call strike price of AUD\$2,333 per ounce of gold.

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

The Company is subject to financial covenants requiring it to maintain a total minimum balance of cash, cash equivalents and undrawn lines of credit of AUD\$5.0 million and a restriction on additional indebtedness, except for permitted indebtedness as agreed to between the Company and Auramet. The Company is also subject to non-financial covenants, along with a restriction on liens. At September 30, 2021, the Company was in compliance with all covenants.

The table below summarizes the movements in deferred revenue:

<b>Balance, December 31, 2019</b>	\$	<b>9,851</b>
Accretion charge		1,689
Gold loan repayments		(7,894)
Foreign exchange movement		273
<b>Balance, December 31, 2020</b>		<b>3,919</b>
Accretion charge		486
Gold loan repayments		(4,413)
Foreign exchange movement		8
<b>Balance, June 30 and September 30, 2021</b>	\$	<b>-</b>

### **10. DERIVATIVE FINANCIAL INSTRUMENTS**

The fair value of derivative instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where available. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2. As at September 30, 2021 and December 31, 2020, all of the Company's derivative financial instruments have been classified as Level 2 financial instruments according to the Company's fair value hierarchy. The fair value of these instruments is determined using the Black-Scholes method.

The Company did not apply hedge accounting on its outstanding derivatives. Therefore, changes in fair value are recorded in the Condensed Consolidated Interim Statement of Income (Loss) and Comprehensive Income (Loss) on a mark to market basis and recorded in financial assets and liabilities. For the nine months ended September 30, 2021, the table below summarizes the movements in derivative assets (liabilities):

<b>Balance, December 31, 2019</b>	\$	<b>796</b>
Unrealized (gains)/losses on derivative instruments		1,095
Realized (gains)/losses on derivative instruments		(246)
Foreign exchange movement		511
<b>Balance, December 31, 2020</b>	\$	<b>2,156</b>
Unrealized (gains)/losses on derivative instruments		(1,379)
Realized (gains)/losses on derivative instruments		(524)
Foreign exchange movement		(14)
<b>Balance, September 30, 2021</b>	\$	<b>239</b>

## **SUPERIOR GOLD INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

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

---

	<b>Call option maturity</b>	
		<b>2021</b>
Call options		
Ounces		15,200
Weighted average price per ounce (in AUD)		\$2,342
Fair value – liability (asset) at December 31, 2020	\$	2,156
<b>Balance, December 31, 2020</b>		<b>\$ 2,156</b>
Ounces		4,500
Weighted average price per ounce (in AUD)		\$2,360
Fair value – liability (asset) at September 30, 2021	\$	239
<b>Balance, September 30, 2021</b>		<b>\$ 239</b>

The fair value of these derivative instruments has been estimated using the Black Scholes option pricing model. The weighted average inputs used in the measurement of fair value of the call options as at September 30, 2021 (December 31, 2020) are disclosed in the following table:

<b>Call options</b>		<b>As at</b>	<b>As at</b>
		<b>September 30, 2021</b>	<b>December 31, 2020</b>
Number of call options outstanding		4,500	15,200
Expected volatility		9%	16%
Risk free interest rate		0.04%	0.08%
Expected life in years		0.2	0.6
<b>Fair value (weighted average)</b>	- AUD\$	<b>\$ 73.70</b>	<b>\$ 184.16</b>
	- U.S. \$ <sup>(1)</sup>	<b>\$ 53.11</b>	<b>\$ 141.84</b>

<sup>(1)</sup> At September 30, 2021, the U.S. dollar weighted average exercise price was calculated using the period end Australian to U.S. dollar exchange rate of 0.7206 (December 31, 2020 – 0.7702).

# SUPERIOR GOLD INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021

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

### 11. PROVISIONS

	September 30, 2021	December 31, 2020	
Employee entitlements	\$ 5,721	\$ 5,880	
Rehabilitation	27,488	29,154	
<b>Total provisions</b>	<b>\$ 33,209</b>	<b>\$ 35,034</b>	
Current	\$ 5,631	\$ 5,818	
Non-current	27,578	29,216	
<b>\$ 33,209</b>	<b>\$ 35,034</b>		
	<b>Employee Entitlements</b>	<b>Rehabilitation</b>	<b>Total provisions</b>
<b>Beginning balance, January 1, 2020</b>	<b>\$ 5,072</b>	<b>\$ 25,851</b>	<b>\$ 30,923</b>
Accretion	-	102	102
Revisions to expected cash flows	2,945	578	3,523
Disbursements	(2,717)	-	(2,717)
Foreign exchange movement	580	2,623	3,203
<b>Balance, December 31, 2020</b>	<b>5,880</b>	<b>29,154</b>	<b>35,034</b>
Accretion	-	9	9
Revisions to expected cash flows	2,851	214	3,065
Disbursements	(2,616)	-	(2,616)
Foreign exchange movement	(394)	(1,889)	(2,283)
<b>Balance, September 30, 2021</b>	<b>5,721</b>	<b>27,488</b>	<b>33,209</b>
Current	5,631	-	5,631
Non-current	90	27,488	27,578
<b>Balance, September 30, 2021</b>	<b>\$ 5,721</b>	<b>\$ 27,488</b>	<b>\$ 33,209</b>

#### (i) Employee entitlements

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

#### (ii) Rehabilitation provision

The Company assesses its mine rehabilitation provision annually. Significant judgment is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate the mine sites, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which the change becomes known. As at September 30, 2021, the mine rehabilitation provision has been discounted using discount rates of 0.004% - 2.2% (December 31, 2020 - 0.1% -1.3%) and the cash flows have been inflated using an inflation rate of 1.6% - 2.4% (December 31, 2020 - 1.3% - 2.4%), payable over the years 2022 to 2036. As at September 30, 2021, the total undiscounted estimated reclamation costs are approximately \$23,864 (December 31, 2020 - \$25,506). These expenditures are expected to be incurred in Australian dollars.

## **SUPERIOR GOLD INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

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

---

## **12. COMMITMENTS AND CONTINGENCIES**

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Property, plant and equipment (i)	\$ 4,047	\$ 1,483
Guarantee (ii)	-	2,503
	<b>\$ 4,047</b>	<b>\$ 3,986</b>

### *(i) Capital commitments*

In the nine months ended September 30, 2021, the Company entered into commitments for milling and mobile equipment as well as a tailings wall lift. These commitments totaled \$4,047 at September 30, 2021 (December 31, 2020 - \$1,483).

### *(ii) Contingencies*

The Company signed an agreement with its existing supplier to upgrade its power supply. As a result of completing the power supply upgrade, the Company was required to provide a guarantee to the supplier. On June 24, 2021 a guarantee was issued under the Letter of guarantee facility (note 13).

### *(iii) Contingent Consideration*

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

The fair value of the Milestone Payments was determined to have \$nil value as at September 30, 2021 (December 31, 2020 - \$nil) as Management determined that it was uncertain that the threshold outlined in the Acquisition Agreement of 1,717,000 ounces of Joint Ore Reserves Committee 2012 compliant measured, indicated and inferred resources will be reached.

## **13. FINANCIAL INSTRUMENTS**

### **Fair value**

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

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

## **SUPERIOR GOLD INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2021 (expressed in thousands of United States dollars unless otherwise stated)**

The fair value of financial instruments is summarized as follows:

	<b>September 30, 2021</b>			<b>December 31, 2020</b>		
	<b>Carrying amount</b>	<b>Fair value</b>		<b>Carrying amount</b>	<b>Fair value</b>	
<b>Financial Assets</b>						
<i>Held-for-trading</i>						
Cash and cash equivalents	\$ 20,357	\$ 20,357		\$ 17,294	\$ 17,294	
<i>Loans and receivables</i>						
Other receivables (excluding HST and GST receivable)	314	314		244	244	
<b>Financial Liabilities</b>						
Accounts payable and accrued liabilities	\$ 15,205	\$ 15,205		\$ 15,583	\$ 15,583	
Short-term loan	-	-		1,194	1,194	
Derivative financial instruments	239	239		2,156	2,156	
Lease obligations	11,374	11,374		13,633	13,633	

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

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data.

#### **Letter of guarantee facility**

The Company has an AUD\$5.5 million Guarantee Credit Facility, amended April 14, 2021, (the "Credit Facility") with a leading international bank. The Credit Facility permits the Company to issue letters of guarantee for a term of up to 12 months to various suppliers from time to time to support the Plutonic Gold Operations.

The Credit Facility includes an aggregate fee of 1.4225% calculated on drawn amounts and is secured by an assignment of a performance security guarantee issued by Export Development Canada in support of the Plutonic Gold Operations. The Credit Facility contains covenants customary for a loan facility of this nature, including limits on indebtedness and change of control. It contains a financial covenant test requiring that the Company maintain a minimum liquidity covenant of AUD\$5.0 million. At September 30, 2021 the Company was in compliance with all covenants.

Guarantees have been issued under the Credit Facility as at September 30, 2021 in the amounts of \$2,432, \$721, \$581 and \$144, respectively to secure power and gas supply (December 31, 2020 - \$770, \$621 and \$154, respectively). During the three and nine months ended September 30, 2021, the Company paid \$4 and \$153 in associated fees on the Credit Facility (three and nine months ended September 30, 2020 - \$4 and \$40).

#### **14. SHARE CAPITAL**

##### **a) Authorized share capital**

Unlimited number of common shares ("Common Shares") without par value.

## SUPERIOR GOLD INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021

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

#### b) Issued and outstanding

	Number of shares	Amount
<b>Balance, January 1, 2020</b>	<b>96,982,473</b>	<b>\$ 50,025</b>
Shares issued under:		
Issued for Services	152,000	82
Offering (i)	24,644,500	11,901
<b>Balance, December 31, 2020</b>	<b>121,778,973</b>	<b>\$ 62,008</b>
Shares issued under:		
Exercise of stock options	50,000	29
Issuance of RSUs	906,085	456
<b>Balance, September 30, 2021</b>	<b>122,735,058</b>	<b>\$ 62,493</b>

##### (i) Offering

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

#### c) Warrants

As at September 30, 2021 and December 31, 2020, the Company has outstanding 14,429,521 Warrants issued to Northern Star Resources Inc. with a weighted average exercise price of \$1.5166 (CAD\$1.92 (December 31, 2020 – CAD\$1.93)) per warrant which expire on February 23, 2022.

#### d) Share-based payments

##### (i) Share option plan

Movements in the share options are summarized below:

	Number of options	Weighted average exercise price <sup>(1)</sup>	Weighted average exercise price (CAD\$)
<b>Balance, January 1, 2020</b>	<b>6,691,667</b>	<b>\$ 0.72</b>	<b>0.93</b>
Granted	1,350,000	0.75	0.96
Forfeited	(250,000)	0.79	1.00
<b>Balance December 31, 2020</b>	<b>7,791,667</b>	<b>\$ 0.73</b>	<b>0.94</b>
Granted	1,450,000	0.50	0.63
Forfeited	(516,667)	0.48	0.61
Exercised	(50,000)	0.44	0.55
<b>Balance September 30, 2021</b>	<b>8,675,000</b>	<b>\$ 0.71</b>	<b>0.91</b>

<sup>(1)</sup> At September 30, 2021, the U.S. dollar weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.7884 (December 31, 2020 – 0.7855).

## SUPERIOR GOLD INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021

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

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

		September 30, 2021	December 31, 2020
Number of share options granted		1,450,000	1,350,000
Expected volatility <sup>(1)</sup>		75%	61%
Risk free interest rate		0.63%	0.31%
Estimated forfeiture rate		10%	10%
Expected dividend yield		Nil	Nil
Expected life in years		3.5	3.5
<b>Fair value (weighted average)</b>	<b>- CAD\$</b>	<b>0.31</b>	<b>\$ 0.30</b>
	<b>- U.S. \$ <sup>(2)</sup></b>	<b>0.25</b>	<b>\$ 0.22</b>

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

<sup>(2)</sup> 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 September 30, 2021 are:

Exercise price (CAD\$)	Number of options	Options outstanding			Options exercisable		
		Weighted average exercise price <sup>(1)</sup>	Weighted average exercise price CAD\$	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price <sup>(1)</sup>	Weighted average exercise price CAD\$
\$0.47	200,000	\$0.37	\$0.47	3.50	66,667	\$0.37	\$0.47
\$0.52	500,000	\$0.41	\$0.52	2.49	500,000	\$0.41	\$0.52
\$0.62	1,250,000	\$0.49	\$0.62	4.86	-	-	-
\$0.71	200,000	\$0.56	\$0.71	4.54	-	-	-
\$0.75	150,000	\$0.59	\$0.75	3.62	50,000	\$0.59	\$0.75
\$0.79	83,333	\$0.62	\$0.79	2.99	83,333	\$0.62	\$0.79
\$0.96	50,000	\$0.76	\$0.96	2.87	33,333	\$0.76	\$0.96
\$1.00	5,116,667	\$0.79	\$1.00	0.43	5,116,667	\$0.79	\$1.00
\$1.09	1,000,000	\$0.86	\$1.09	3.84	333,333	\$0.86	\$1.09
\$1.29	125,000	\$1.02	\$1.29	1.69	125,000	\$1.02	\$1.29
<b>\$0.94</b>	<b>8,675,000</b>	<b>\$0.71</b>	<b>\$0.91</b>	<b>1.86</b>	<b>6,308,333</b>	<b>\$0.76</b>	<b>\$0.96</b>
							<b>0.90</b>

<sup>(1)</sup> At September 30, 2021, the U.S. weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.7884 (2020 – 0.7855).

#### (ii) Performance Share Units

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

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

## **SUPERIOR GOLD INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

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

---

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

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

	<b>Number of Performance Share Units</b>
<b>Balance January 1, 2020</b>	526,500
Granted	125,000
Expired	(166,666)
<b>Balance December 31, 2020</b>	<b>484,834</b>
Granted	512,500
Expired	(125,000)
Forfeited	(383,334)
<b>Balance September 30, 2021</b>	<b>489,000</b>

The PSUs vest over a period of time as established by the Board. The remaining PSUs issued in 2019 in the amount of 83,333 vest on the third anniversary of the grant. The PSUs issued in 2020 and 2021 vest in one tranche on the third anniversary of the grant. During the nine months ended September 30, 2021, 125,000 PSUs expired as the performance condition in respect of the Company's share price performance relative to the VanEck Vectors Junior Gold Miners ETF over the term of the PSU performance period was not met (December 31, 2020 – 166,666) and 383,334 were forfeited (December 31, 2020 – nil).

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 September 30, 2021 and December 31, 2020:

	<b>2021</b>	<b>2020</b>
Number of performance share units granted	512,500	125,000
Expected volatility <sup>(1)</sup>	78%	69%
Risk free interest rate	0.50%	0.29%
Estimated forfeiture rate	0%	0%
Expected dividend yield	Nil	Nil
Expected life in years	2.54	2.89
<b>Fair value (weighted average)</b>	<b>- CAD\$</b>	<b>\$ 0.31</b>
	- U.S. \$ <sup>(2)</sup>	\$ 0.22

<sup>(1)</sup> Expected volatility is measured as the annualized standard deviation of share price returns, based on the historical movements in the price of the Company over the same period as the expected life of the option being valued.

<sup>(2)</sup> 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.

## **SUPERIOR GOLD INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

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

---

#### **(iii) Restricted Share Units**

Under the Company's Share Unit Plan, Restricted Share Units ("RSUs") may be granted to directors, employees or consultants of the Company and its subsidiaries. An RSU represents the right to receive a common share of the Company at vesting.

	<b>Number of Restricted Share Units</b>
<b>Balance January 1, 2020 and December 31, 2020</b>	50,000
Granted	906,085
Issued	(906,085)
<b>Balance September 30, 2021</b>	<b>50,000</b>

The RSUs vest over a period of time as established by the Board: 50,000 RSUs vest on the third anniversary of the grant, 100,000 vested on July 1, 2021, and 806,085 vested on August 12, 2021. On August 12, 2021 and August 16, 2021, respectively, 860,085 and 46,000 Common Shares were issued. The vesting of the RSUs cannot be deferred by the holder beyond three years from the initial date of grant.

The fair value of RSUs is determined by reference to the Company's share price when the units are awarded. The total fair value of unvested RSUs that will be recognized in future periods amounted to \$10 as at September 30, 2021 (December 31, 2020: \$18).

#### **(iv) Deferred Share Units**

Under the Company's previous Omnibus Equity Plan, Deferred Share Units ("DSU") were issued to independent directors for the purposes of strengthening the alignment of interests between members of the Board of Directors and shareholders by linking a portion of the annual director compensation to the future value of the Company's Common Shares. For grants issued in 2020, a DSU represents the right to receive a common share of the Company, vest when the director leaves the Board of Directors and are equity settled. For grants issued subsequent to the adoption of the Phantom Unit Plan on May 10, 2021, a DSU represents the right to receive cash equivalent in value to a Superior Gold Inc. common share upon vesting, which occurs when the director leaves the Board of Directors. All DSUs must be retained until the director leaves the Board of Directors.

	<b>Number of Deferred Share Units</b>
<b>Balance January 1, 2020</b>	-
Granted	424,656
<b>Balance December 31, 2020</b>	<b>424,656</b>
Granted	117,047
<b>Balance September 30, 2021</b>	<b>541,703</b>

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

# SUPERIOR GOLD INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021

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

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
<b>Equity settled plans</b>				
<b>Cost of sales</b>				
Mining – Share option plans	\$ (29)	\$ 9	\$ (21)	\$ 26
Site services – Share option plan	6	8	7	18
	(23)	17	(14)	44
<b>General and administrative</b>				
Share option plan	19	37	121	79
Deferred share units	(7)	-	51	216
Performance share units	(10)	9	14	36
Restricted share units	2	2	65	8
	4	48	251	339
	\$ (19)	\$ 65	\$ 237	\$ 383

### 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 September 30		Nine months ended September 30	
	2021	2020	2021	2020
Basic weighted average shares outstanding	122,309,562	97,134,473	121,983,420	97,111,728
Weighted average shares dilution adjustments:				
Share options	120,351	-	260,970	-
Deferred Share Units	-	-	-	-
Performance Share Units	-	-	-	-
Restricted Share Units	-	-	-	-
Warrants	-	-	-	-
<b>Diluted weighted average shares outstanding</b>	<b>122,429,913</b>	<b>97,134,473</b>	<b>122,244,390</b>	<b>97,111,728</b>

The Company excludes from the diluted weighted average number of Common Shares all rights that, if exercised, would result in an anti-dilutive adjustment to the income (loss) per share calculation.

- Dilutive share options and Warrants were determined using the Company's average share price for the period, resulting in 8,554,649 and 8,414,030 share options as well as 14,429,521 Warrants being excluded from the calculation of diluted earnings per share for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 – 7,791,667 share options and 14,429,521 Warrants).
- In respect of the performance share units, the share dilution adjustment was determined using the increase in the Company's share price relative to the VanEck Vectors Junior Gold Miners ETF, resulting in 489,000 performance share units being excluded from the calculation of diluted earnings per share for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 – 484,834).

# SUPERIOR GOLD INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021

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

### 15. NET FINANCE (INCOME) COSTS

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Accretion of provisions	\$ 1	\$ 25	\$ 9	\$ 94
Accretion on Gold loan	-	408	486	1,344
Lease and short-term loan finance charges	174	156	586	327
Interest income	(3)	(7)	(10)	(44)
Foreign exchange (gain)/loss	111	(67)	(97)	128
	<b>\$ 283</b>	<b>\$ 515</b>	<b>\$ 974</b>	<b>\$ 1,849</b>

### 16. TAXES

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

The tax expense for the three and nine months ended September 30, 2021 was \$1,290 and \$1,821 (September 30, 2020 – \$32 and \$94).

### 17. LEASE OBLIGATION

#### Right-of-use assets

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

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

*Cost:*

December 31, 2019	\$	11,774
ROU asset additions		11,950
Disposals		(2,106)
Foreign exchange movement		1,906
December 31, 2020		23,524

*Accumulated depreciation*

December 31, 2019	\$	5,624
Depreciation charge		3,640
Disposals		(761)
Foreign exchange movement		907
December 31, 2020		9,410
<b>As at December 31, 2020</b>	<b>\$</b>	<b>14,114</b>

## **SUPERIOR GOLD INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

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

---

<i>Cost:</i>		
<b>December 31, 2020</b>		\$ 23,524
ROU asset additions		1,076
Foreign exchange movement		(1,575)
<b>September 30, 2021</b>		<b>23,025</b>
<hr/>		
<i>Accumulated depreciation</i>		
December 31, 2020		9,410
Depreciation charge		3,036
Foreign exchange movement		(756)
<b>September 30, 2021</b>		<b>11,690</b>
<b>As at September 30, 2021</b>		<b>\$ 11,335</b>

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

Interest expense on lease obligations for the three and nine months ended September 30, 2021 was \$172 and \$558 (September 30, 2020 - \$153 and \$310). Total cash outflow for leases for the three and nine months ended September 30, 2021 was \$868 and \$3,082 (September 30, 2020 - \$1,660 and \$4,141), including \$nil and \$nil (September 30, 2020 - \$649 and \$1,045) for short-term leases. Expense relating to variable lease payments not included in the measurement of the lease liability was \$272 and \$804 for the three and nine months ended September 30, 2021 (September 30, 2020 - \$255 and \$675).

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

### **18. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to ensure the Company continues as a going concern by ensuring it has an appropriate amount of liquidity and that it has an appropriate capital structure. Management monitors the amount of cash, undrawn (or potentially available) financing, equity in the capital structure and adjusts the capital structure, as necessary, to support the operation, development and exploration of its projects. As at September 30, 2021, the Company's current assets of \$31,202 exceeded its current liabilities of \$23,740. The Company believes it will have adequate liquidity from continuing operations and cash on hand.

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

The Board of Directors has not established criteria for quantitative return on capital for management, but rather relies on the expertise of management to sustain future development of the business. The Company considers its capital to be shareholders' equity, which amounted to \$41,102 at September 30, 2021 (December 31, 2020 - \$37,132).

### **19. PLUTONIC GOLD OPERATIONS ACQUISITION**

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