



**SUPERIOR  
GOLD INC.**

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

For the three months ended March 31, 2022

May 24, 2022

(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 24, 2022, 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, 2022 and 2021 ("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, 2021. All dollar figures stated herein are expressed in thousands of United States dollars ("U.S. dollars"), except for per share or per ounce amounts or unless otherwise specified. The Company's public filings can be viewed on the SEDAR website ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.superior-gold.com](http://www.superior-gold.com)).

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

### Description of the Business

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

### First Quarter Highlights

- Production of 16,747 ounces, a 5% decrease over the comparative quarter of 2021 as a result of the planned 15-day mill maintenance shutdown in the first quarter of 2022
- Sold 15,823 ounces of gold at total cash costs<sup>1</sup> of \$1,558 per ounce sold, an increase of \$172 per ounce sold or 12% in comparison to the first quarter of 2021 due to fewer ounces sold as a result of the planned 15-day mill maintenance shutdown
- All-in sustaining costs<sup>1</sup> increased by \$219 per ounce sold or 15%, in comparison to the first quarter of 2021, to \$1,729 per ounce sold, below the realized gold price<sup>1</sup> of \$1,910 per ounce, after higher sustaining exploration and capital expenditures<sup>1</sup>
- Increase in working capital<sup>1</sup> of \$783 to \$11,195 despite the planned 15-day mill maintenance shutdown
- Solid cash and cash equivalents of \$19.9 million
- Net income for the period was \$0.01 per share and Adjusted net income<sup>1</sup> was \$0.01 per share

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

## Impact of COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic related to COVID-19. The COVID-19 pandemic is still impacting business worldwide and current measures to combat the spread are vastly different depending on the location of an entity's operations. The unpredictable nature of the length of the COVID-19 pandemic and the severity of measures that may be taken is subject to significant variability and accordingly, estimates as to the impact on the Company's financial results in future periods is uncertain. The judgments, inputs and assumptions used as at March 31, 2022 and for the three months ended March 31, 2022, whether related to COVID-19 or otherwise, have been considered and, where appropriate, reflected in the interim financial statements. The future impact of COVID-19 actions as at March 31, 2022 are unknown.

To address the risk of the pandemic to the Plutonic Gold Operations, the Company maintains a number of measures to reduce the potential risk to employees and communities. The Company has also implemented an active monitoring system to track close contacts as well as testing for suspected or actual COVID-19 cases within its workforce. Furthermore, the government of Western Australia instituted a requirement that fly-in / fly-out operations ensure that all personnel working on site be vaccinated and the Company is in compliance with this requirement.

## 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 Plutonic Gold Mine includes a producing underground gold operation and producing open pit operations in close proximity to the central mill.

The Hermes Gold Mine ("Hermes") is located approximately 65 kilometres south-west of the Plutonic Gold Mine. It includes the wholly-owned Hermes open pits and a 70-80% interest in the BBJV, which covers the Hermes South open pit project located approximately 20 kilometres south-west of the Hermes open pits as well as additional open pit targets in the region.

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

### *Quarterly performance summary*

The Plutonic Gold Operations produced and sold 16,747 and 15,823 ounces of gold, respectively, for the first quarter of 2022. Total cash costs<sup>1</sup> of \$1,558/ounce sold and all-in sustaining costs<sup>1</sup> of \$1,729/ounce sold were below the realized gold price<sup>1</sup> of \$1,910/ounce for the three-month period ended March 31, 2022. In comparison, 17,603 and 17,538 ounces of gold were produced and sold, respectively for the first quarter of 2021. Total cash costs<sup>1</sup> of \$1,386/ounce sold and all-in sustaining costs<sup>1</sup> of

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

\$1,510/ounce sold were below the realized gold price<sup>1</sup> of \$1,777/ounce for the three-month period ended March 31, 2021.

Total cash costs<sup>1</sup> and all-in sustaining cash costs<sup>1</sup> increased by 12% or \$172 per ounce sold and 15% or \$219 per ounce sold, respectively, over the prior period primarily as a result of fewer ounces sold in the current quarter due to the planned 15-day mill maintenance shutdown, which reduced production and the number of gold ounces available for sale. All-in sustaining cash costs<sup>1</sup> were also higher as a result of increased sustaining exploration and capital expenditures<sup>1</sup> in comparison to the first quarter of 2021. With the mill maintenance having been completed, total cash costs<sup>1</sup> and all-in sustaining cash costs<sup>1</sup> for the remainder of 2022 are expected to return to levels within the Guidance provided later in this MD&A. The Company generated net cash from operations after working capital changes of \$412 for the three months ended March 31, 2022.

### **Exploration Activities**

During 2021 the Company accelerated its exploration program to focus on organic growth and opening new mining fronts in the underground mine. This work continued during the three months ended March 2022 and for the quarter, with 18,676 metres of drilling completed in 268 holes. Of the total, 12,930 metres were drilled for grade control and stope design in 223 holes. The remaining 5,746 metres were drilled for reserve and resource expansion in 45 holes. The first 167 metres of 7 planned diamond drill holes was drilled in surface exploration. The Company continues its focus on underground reserve and resource expansion by completing in-fill drilling and exploration drilling of new underground mining fronts, specifically the Western Mining Front, the Baltic Gap and the Eastern Mining Front.

Drilling during the quarter was partly focused on infilling the 2.4 Kilometre long Eastern Mining Front (refer to News Release dated April 21, 2022). These new drill intersections potentially expand the Eastern Mining Front by a further 180 metres adjacent to existing underground infrastructure. A second set of results announced subsequent to the quarter end on April 27, 2022, continue to demonstrate high-grade drill results along the 1.6 Kilometre long Western Mining Front in the underground mine (refer to News Release dated April 27, 2022). The results expand the Western Mining Front by a further 130 metres. An 85 metre exploration drill drive was started in Q1 with drilling planned to commence in Q2.

Total expenditures for the first quarter were \$1,228, of which \$639 was expensed and \$589 was capitalized to mining interests. Total expenditures for the comparative 2021 quarter were \$1,018, of which \$622 was expensed and \$396 was capitalized to mining interests.

### **Outlook**

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

- Targeting mine exploration programs to open new fronts and reduce reliance on remnant mining whilst increasing ore delivery from underground
- Improving mining practices to lower costs and increase production
- Increasing operational efficiencies especially in the process plant
- Optimizing the global resource model
- Advancing open pit opportunities close to the mill

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

The Company maintains its 2022 production guidance as summarized in the table below.

2022 Guidance	Guidance (January 17, 2022)
Production (oz of Gold)	80,000 - 90,000
Cash Costs (\$/oz) <sup>1</sup>	\$1,300 - \$1,450
All In Sustaining Costs (\$/oz) <sup>1</sup>	\$1,450 - \$1,600

Note: Guidance is based on an estimated Australian to U.S. dollar exchange rate of 0.75.

The Company has completed its Mineral Resource and Mineral Reserve estimate as at December 31, 2021, and will be filing its press release in respect thereof on May 25, 2022 as well as the associated technical report within the applicable time period.

### Summary of Operational Results

	Three months ended March 31	
	2022	2021
Stope material mined (000's t)	186	137
Stope grade mined (g/t)	2.58	3.54
Development ore mined (000's t)	34	50
Development grade mined (g/t)	1.06	1.30
Open pit ore mined (000's t)	165	-
Open pit grade mined (g/t)	0.77	-
Open pit waste mined (000's t)	229	-
Strip Ratio (t:t)	1.39	-
Underground ore milled (000's t)	217	202
Underground grade milled (g/t)	2.41	2.83
Open pit ore milled (000's t)	140	-
Open pit grade milled (g/t)	0.66	-
Other ore milled (000's t)	3	154
Other ore grade milled (g/t)	0.23	0.41
Total ore milled (000's t)	360	356
Grade milled (g/t)	1.7	1.8
Gold recovery (%)	85	86
Gold produced (oz)	16,747	17,603
Gold sold (oz)	15,823	17,538
Total cash costs (\$/oz) <sup>(1)</sup>	1,558	1,386
All-in sustaining costs (\$/oz) <sup>(1)</sup>	1,729	1,510
Realized gold price (\$/oz) <sup>(1)</sup>	1,910	1,777

### Quarterly operational results

The Plutonic Gold Operations produced 16,747 ounces of gold in the three-month period ended March 31, 2022 as compared to 17,603 ounces of gold in three-month period ended March 31, 2021. The decrease is largely a result of the planned 15-day mill maintenance shutdown in the three month period ended March 31, 2022. Total underground material mined (stope and development) increased 17% while lower grade legacy stockpiles were nearly eliminated as the contribution of higher grade open pit material of 0.77 g/t from the Plutonic East and Perch pits was available.

Total material milled during the three months ended March 31, 2022 was marginally higher at 360 thousand tonnes compared to the same period in 2021 as the contribution of material from Plutonic East

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

and Perch pits offset ore milled from the legacy stockpiles. Head grade declined from 1.8 g/t to 1.7 g/t in the three months ended March 31, 2022 mainly a result of lower grade from the underground offset in part by higher grade open pit material replacing low grade legacy stockpile material. Recovery rates declined marginally in the first quarter of 2022 to 85% compared to 86% in the three months ended March 31, 2021 primarily a result of lower grade milled for the period.

As a result of the planned 15-day mill maintenance shutdown and timing of production at the end of the quarter, gold sold decreased by 1,715 ounces or 10% to 15,823 during the three months ended March 31, 2022 versus the comparative period in 2021.

Total cash costs<sup>1</sup> were \$1,558/ounce sold for the three months ended March 31, 2022, an increase from \$1,386/ounce sold for the three months ended March 31, 2021 due to fewer ounces sold. All-in sustaining costs<sup>1</sup> increased from \$1,510/ounce sold to \$1,729/ounce sold predominantly due to higher total cash costs per ounce and sustaining exploration and capital expenditures. Total cash costs<sup>1</sup> and all-in sustaining cash costs<sup>1</sup> increased by 12% or \$172 per ounce sold and 15% or \$219 per ounce sold, respectively, over the prior period.

### Summary of Quarterly Financial Results

	Three month period ended March 31, 2022	Three month period ended December 31, 2021	Three month period ended September 30, 2021	Three month period ended June 30, 2021
Revenue	\$ 30,236	\$ 37,835	\$ 34,187	\$ 34,418
Cost of sales	26,691	29,438	28,300	29,531
Exploration expense	639	1,087	834	597
General and administrative	1,465	1,326	1,425	1,561
Operating Income	1,441	5,984	3,628	2,729
Income before taxes	1,281	6,066	2,381	1,696
Net income	1,424	4,121	1,091	1,198
Earnings per share –basic and diluted	0.01	0.03	0.01	0.01
Adjusted net income <sup>1</sup>	1,424	3,877	1,760	1,726
Adjusted net income per share – basic <sup>1</sup>	0.01	0.03	0.01	0.01
Cash flow from operations	412	8,548	6,294	2,746
	As at March 31, 2022	As at December 31, 2021	As at September 30, 2021	As at June 30, 2021
Cash and cash equivalents	19,919	23,789	20,537	17,412
Non-current assets	74,185	74,792	72,260	75,956
Total assets	109,995	110,890	103,462	104,603
Current liabilities	24,615	25,686	23,740	23,863
Non-current liabilities	36,795	39,660	38,620	39,564

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

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

## Results of Operations

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

## Operating Income

Operating income for the three months ended March 31, 2022 was \$1,441, a decrease of \$773 compared to Operating income of \$2,214 for the three months ended March 31, 2021 due to lower Revenue of \$984, offset primarily by lower Cost of sales of \$229 as outlined in the Cost of sales section of this MD&A.

## Revenues

During the three months ended March 31, 2022 Metal sales totaled \$30,236 from the sale of 15,823 ounces of gold, a decrease of \$984 from \$31,220 from the sale of 17,538 ounces of gold for the three months ended March 31, 2021. Gold revenues were lower as a result of 1,715 fewer ounces being sold due to the planned maintenance shutdown, offset by an increase in the realized gold price<sup>1</sup> to \$1,910/ounce from \$1,777/ounce.

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

## Cost of Sales

	Three months ended March 31	
	2022	2021
Mining	\$ 16,856	\$ 14,586
Processing	5,516	5,849
Depreciation and amortization	2,071	2,512
Site services	4,333	3,143
Gold royalty	702	788
Change in inventories	(2,787)	42
	<b>\$ 26,691</b>	<b>\$ 26,920</b>

Cost of Sales were \$26,691 for the three months ended March 31, 2022, a decrease of \$229 from \$26,920 for the three months ended March 31, 2021. Cost of sales includes mine production costs, processing costs, site services, royalties, and depreciation and amortization. Cost of sales were \$229 lower in the current period versus the same period in 2021 due to the variance in the Change in inventory category. The Change in inventory of (\$2,787) in the three months ended March 31, 2022 reflected increases in Gold in circuit resulting from the timing of sales versus production at the end of the quarter, the buildup of stockpile inventory due to the planned 15-day mill maintenance shutdown and timing of production which occurred near the end of the first quarter of 2022. The Change in inventory of \$42 in the three months ended March 31, 2021 reflected a decrease in stockpile inventory. In addition, the decrease in gold royalties was a result of fewer ounces sold in the quarter, partially offset by a higher gold price. These decreases were partially offset by higher Mining costs from the addition of \$2,270 of surface mining costs from the mining of Plutonic East and Perch pits, which began in the second quarter of 2021 as well as the increase in Site services costs of \$1,190 reflecting contractor flight and accommodation costs associated with the planned mill maintenance activity.

## General and administrative

General and administrative expenses in the three months ended March 31, 2022 were essentially unchanged from the comparison period in the three months ended March 31, 2021.

## Other Expenses (Income)

Other Expenses for the three months ended March 31, 2022 totaled \$160 comprised of Net finance cost which was comprised predominantly of lease and short-term loan finance charges. Other Income for the three months ended March 31, 2021 totaled approximately \$1,346 and included the Change in valuation of Derivative financial instruments of \$1,743 and Net finance cost of \$402, which was comprised of Accretion on the Gold loan ("Gold loan") with Auramet International LLC ("Auramet") of \$285 as well as lease and short-term finance charges of \$208, partially offset by \$94 of foreign exchange gains.

## Net income for the period ended March 31, 2022

The total Net income of \$1,424 for the three months ended March 31, 2022, a decrease of 60% from the three months ended March 31, 2021, resulted primarily from Operating Income of \$1,441 and an income tax recovery of \$143, offset by Net finance cost of \$160. The total Net income of \$3,527 for the three months ended March 31, 2021 resulted primarily from Operating income of \$2,214 and the Change in valuation of derivative financial instruments of (\$1,743) offset by Net finance cost of \$402.

## Adjusted net income

Adjusted net income<sup>1</sup> for the first quarter of 2022 decreased by \$355 to \$1,424 or \$0.01 per share compared to adjusted net income<sup>1</sup> of \$1,779 or \$0.01 per share in the three months ended March 31, 2021, primarily due to an Income tax recovery and the absence of adjusting amounts in the current period (refer to the table in the section labeled “Adjusted Net Income and Adjusted basic net income per share” of this MD&A).

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

## Financial Position as at March 31, 2022

As at March 31, 2022, the Company’s current assets totaled \$35,810 and current liabilities amounted to \$24,615, for a net working capital<sup>1</sup> surplus of \$11,195. The majority of current assets are cash and cash equivalents of \$19,919 and inventories of \$12,735. The increase from a working capital<sup>1</sup> surplus of \$10,412 as at December 31, 2021, was predominantly the result of higher Gold in circuit inventory reflecting the timing of production versus sales at the end of the quarter as well as repayments of the Short-term loan.

Non-current assets decreased by \$607 from December 31, 2021. Decreases were predominantly the result of depreciation expense of \$2,086 and reductions in the value of the rehabilitation asset due to changes in discount rates of \$3,185. These amounts were offset by foreign exchange impacts of \$2,236. Non-current asset additions were \$1,327, which were spent on the development of the underground operations and the advancement of open pit opportunities located near the mill. Additionally, \$1,101 of capital expenditures were incurred during the three months ended March 31, 2022, \$502 of which was for betterments to existing equipment in the mill, \$503 for ventilation walls and \$96 was for a tailings wall lift.

Current liabilities fell by \$1,071 to \$24,615 predominantly due to repayments of the Short-term loan and slightly lower accounts payable balances.

Non-current liabilities decreased by \$2,865, as a result of the impact of discount rates on the non-current portions of the rehabilitation liability as well as repayments of lease liabilities and lower deferred tax liability stemming from the tax recovery in the three months ended March 31, 2022.

Share capital consisted of capital stock, net of issue costs, of \$62,662, an increase of \$169 from the issuance of common shares resulting from the exercise of stock options.

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

## **Cash from Operating Activities**

During the three months ended March 31, 2022 cash from operating activities before working capital changes was \$3,489, an \$828 increase over from operating activities before working capital changes of \$2,661 for the three months ended March 31, 2021. The increase in cash generated from operating activities was predominantly a result of repayment under the Gold loan of \$2,210 in the three months ended March 31, 2021, which was fully paid in June 2021, and \$773 of lower operating earnings in the three months ended March 31, 2022 in comparison to the three months ended March 31, 2021, as outlined above.

## **Cash used in Investing Activities**

Cash used in investing activities in the three months ended March 31, 2022 was primarily comprised of expenditures on mine interests, property, plant and equipment of \$3,424 in support of mill improvements including the SAG mill shutdown maintenance, mobile equipment, tailings wall lift additions, underground mine development and open pit development, an increase of 116% compared to the \$1,585 spent in the three months ended March 31, 2021.

## **Cash used in Financing Activities**

Cash used in financing activities in the three months ended March 31, 2022 of \$1,383 was attributed to repayments of the Company's short-term loans, lease obligations, and interest thereon, partially offset by \$123 in proceeds on stock option exercises. For the three months ended March 31, 2021 cash used in financing activities of \$1,780 was mainly attributable repayments of the Company's short-term loans, lease obligations, and interest thereon, partially offset by \$21 in proceeds on stock option exercises.

## **Dividends**

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

## **Liquidity and Capital Resources**

The price of gold has increased the Realized Gold Price<sup>1</sup> over the comparable period in the three months ended March 31, 2022 and estimates for the price of gold remain positive for the next twelve months. As a result, there have been no materially negative impacts on the Company's current operations.

The Company currently sells gold to two counterparties; the Perth Mint and Auramet.

During the three months ended March 31, 2022, the Company used cash inflows from the Plutonic Gold Operations to fund its expenditures on mineral interests and property, plant and equipment, as well as pay down its lease obligation balances and debt obligations. On November 12, 2019, the Company entered into a Gold loan with Auramet under which the Company received gross proceeds of AUD\$15 million before associated costs and as at December 31, 2021, the Company had repaid and fulfilled all of its obligations under the Gold loan.

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

The Company forecasts 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, 2022, the Company had cash and cash equivalents of \$19,919 and a working capital<sup>1</sup> surplus of \$11,195. Management believes the cash on hand and subsequent cash flow from operations of the Plutonic Gold Operations are sufficient to fulfill its immediate operating and capital requirements. The Company may require additional capital or 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 or other forms of financing in the future under terms acceptable to the Company will be dependent on operating performance and on global markets, in particular, the price of gold and/or currency exchange rates.

### Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Commitments & Contingencies

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

	March 31, 2022	December 31, 2021
Property, plant and equipment (i)	\$ 2,207	\$ 1,923
	<b>\$ 2,207</b>	<b>\$ 1,923</b>

#### (i) Capital commitments

In the three months ended March 31, 2022, the Company entered into commitments for mobile and milling equipment. These commitments totalled \$2,207 at March 31, 2022 (December 31, 2021 - \$1,923).

#### (ii) 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 March 31, 2022 (December 31, 2021 - \$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.

### 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, 2021. The preparation of the 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, 2021.

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

The accounting policies and management estimates applied in the interim financial statements for the three months ended March 31, 2022 are consistent with those used in the Company's consolidated financial statements for the year ended December 31, 2021, except for IAS 16 (refer to the section on "Adoption of New or Amended Accounting Policies" below for a discussion of the impact of this accounting standard). There have been no material impacts on the Company's key assumptions underlying critical accounting estimates as of the date of this MD&A.

### **Financial Instruments**

The Company's significant accounting policies regarding its financial instruments are set out in the Company's audited consolidated financial statements for the year ended December 31, 2021 and are consistent with those used in the Company's interim financial statements for the three months ended March 31, 2022. 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**

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 were effective for annual periods beginning on or after January 1, 2022. The Company has adopted the amendment with no impact to the financial statements.

### **Recent Accounting Pronouncements**

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

## Outstanding Share Data

The following table summarizes the capitalization of the Company as at May 24, 2022, the date of this MD&A:

	Exercise price	Expiry date	Quantity
<b>Number of common shares issued</b>			
Common shares	Not applicable	Not applicable	123,035,058
<b>Number of common shares issuable</b>			
Stock options	\$0.78	June 9, 2022	2,800,000
Stock options	\$0.78	July 5, 2022	150,000
Stock options	\$0.78	September 5, 2022	200,000
Stock options	\$0.41	March 29, 2024	200,000
Stock options	\$0.75	August 15, 2024	50,000
Stock options	\$0.37	March 30, 2025	200,000
Stock options	\$0.59	May 13, 2025	150,000
Stock options	\$0.85	August 4, 2025	1,000,000
Stock options	\$0.55	April 14, 2026	200,000
Stock options	\$0.48	August 13, 2026	1,250,000
DSUs <sup>1</sup>	Not applicable	Not applicable	424,656
PSUs	Not applicable	May 20, 2023	75,000
PSUs	Not applicable	April 14, 2024	262,500
RSUs	Not applicable	August 15, 2022	50,000
			<b>130,047,214</b>

<sup>1</sup> This figure excludes cash-settled DSUs issued under the Phantom Unit Plan.

## Non-IFRS Performance Measures

Working capital, 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.

### Working capital

Working capital is calculated as Total current assets less Total current liabilities per the condensed consolidated interim statement of financial position. The following table provides a reconciliation of Working capital as per the interim financial statements:

<i>(in thousands of dollars)</i>	As at	
	March 31, 2022	December 31, 2021
Total current assets	\$35,810	\$36,098
Total current liabilities	(24,615)	(25,686)
Working capital	\$11,195	\$10,412

## 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	
	2022	2021
Gold sold (oz)	15,823	17,538
Cost of Sales	\$26,691	\$26,920
Adjustments for:		
Depreciation and amortization	(2,086)	(2,527)
Share-based payments included in Cost of Sales	(11)	(11)
Inventory movements	70	(26)
Silver credits and other	(19)	(47)
Cash costs	\$24,645	\$24,309
Total cash costs (per gold oz)	\$1,558	\$1,386
Adjustments for items affecting all-in sustaining cash costs:		
Sustaining exploration and capital expenditures <sup>1</sup>	1,341	940
Share-based payments included in Cost of Sales	11	11
Corporate, general and administration <sup>2,3</sup>	1,340	1,216
Rehabilitation accretion	20	4
All-in sustaining cost	\$27,357	\$26,480
All-in sustaining cost (per gold oz)	\$1,729	\$1,510

## Realized gold price

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

(in thousands of dollars, except oz or per oz amounts)	Three months ended March 31	
	2022	2021
Metal sales	\$30,236	\$31,220
Silver sales	(19)	(47)
Revenues from gold sales	30,217	31,173
Gold sold (oz)	15,823	17,538
Realized gold price (\$/oz)	\$1,910	\$1,777

## Adjusted net income and Adjusted basic net income per share

Adjusted net income and adjusted basic net income 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 and capital expenditures on the Statement of Cash flows. Only Exploration expenditures within an operating mine are considered sustaining. Capital expenditures, including capitalized exploration costs, underground mine development, replacement of mine equipment and other capital expenditures on operating mines is considered sustaining.
2. Corporate, general and administration costs include share-based compensation, as per the Consolidated Statement of Comprehensive Income.
3. Corporate, general and administration costs exclude depreciation and certain business development costs that do not relate to existing mine operations.

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

	<b>Three months ended March 31</b>	
<i>(in thousands of dollars, except per share amounts)</i>	<b>2022</b>	<b>2021</b>
Net income for the period	\$1,424	\$3,527
Adjusted for:		
Gain on sale of assets	-	(5)
Derivative financial instruments	-	(1,743)
Effect on income taxes of the above items	-	-
Adjusted net income	\$1,424	\$1,779
Weighted average number of common shares outstanding - basic	122,888,508	121,806,195
Adjusted basic net income per share	0.01	0.01

### **Disclosure Controls and Procedures**

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

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

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

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer

to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Risks and uncertainties

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

## Forward-looking information

This MD&A contains forward-looking information or incorporates by reference "forward-looking statements" with respect to the Company. Except for statements of historical fact relating to Superior, information contained herein constitutes forward-looking statements, including statements with respect to mineral reserve and mineral resource estimates; targeting additional mineral resources and expansion of deposits; the 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 most recently filed technical report ("Technical Report"); information related to the Company's previously announced strategic review process, the potential outcome of such review process and the intended maximization of shareholder value that the Company believes could result from such review process; 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; and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements.

Forward-looking statements are characterized by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may", "will", "could" or "should" occur. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management, in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, as of the date of this MD&A, including, without limitation, assumptions about: favourable equity and debt capital markets; the ability to raise any necessary additional capital on reasonable terms to advance the development of the Plutonic Gold Operations and pursue planned exploration; future prices of gold; the timing and results of exploration and drilling programs; the accuracy of mineral reserve and mineral resource estimates; the geology and geophysical data of the Plutonic Gold Operations being as described in the Technical Report; production costs; the accuracy of budgeted exploration and development costs and expenditures; the price of other commodities such as fuel; the

impact of inflation on operating or capital costs; 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 or escalation of infectious diseases or other similar health threats, including the novel coronavirus ("COVID-19") outbreak, that could result in the suspension or shutdown of the Plutonic Gold Operations; impact the supply chain; or cause inflationary pressures on operating or capital costs; 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, statements relating to "mineral reserves" or "mineral resources" are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions that the mineral reserves and mineral resources described can be profitably mined in the future.

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

### **Technical Information**

Scientific and technical information in this MD&A has been reviewed and approved by Ettienne Du Plessis, who is a "qualified person" as defined by National Instrument 43-101 (NI 43-101). Mr. Du Plessis is an employee of the Company and serves as Chief Geologist.

### **Additional Information**

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