



Management's Discussion and Analysis

For the three and twelve months ended December 31, 2020

March 9, 2021

(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 March 9, 2021, should be read in conjunction with Superior Gold's audited consolidated financial statements and related notes for the twelve months ended December 31, 2020 and 2019 ("financial statements") which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The following is intended to supplement and complement the financial statements and notes thereto of the Corporation. All dollar figures stated herein are expressed in thousands of United States dollars, except for per share or per ounce amounts or unless otherwise specified. The Company's public filings can be viewed on the SEDAR website (www.sedar.com) and on the Company's website (www.superior-gold.com).

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

Description of the Business

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

Fourth Quarter Highlights

- Closed a bought deal share offering of over 24.6 million shares for net proceeds of \$11,901 ("Bought Deal")
- Produced 15,838 ounces of gold, up 1% from the third quarter of 2020 and down 21% from the comparable period in 2019
- Sold 15,855 ounces of gold at total cash costs¹ of \$1,566 per ounce sold and all-in sustaining costs¹ of \$1,685 per ounce sold, below the realized gold price¹ of \$1,726 per ounce
- Cash flow from operations, after working capital changes, excluding the repayment of \$2,088 to Auramet International LLC ("Auramet") under the gold loan ("Gold loan") and \$4,748 for the purchase of the Northern Star Royalty ("Royalty") was \$214
- Net income for the period of \$0.01 per share and adjusted net loss of \$0.01 per share as a result of mark-to-market gains on the gold call options issued in connection with the Gold loan and the gain on sale of assets of \$857

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

Full Year Highlights

- Sold 63,732 ounces of gold at total cash costs¹ of \$1,436 per ounce sold and all-in sustaining costs¹ of \$1,564 per ounce sold, below the realized gold price¹ of \$1,665 per ounce, generating revenue of \$106,147
- Cash flow from operations, after working capital changes, excluding the repayment of \$7,894 to Auramet under the Gold loan and \$4,748 for the purchase of the Royalty was \$6,113
- Net loss for the year of \$0.05 per share and adjusted net loss of \$0.04 per share
- Announced positive results from an independent preliminary economic assessment of a potential pushback of the main pit at the Plutonic Gold Operations
- Announced on December 2, 2020, increases in Measured and Indicated Mineral Resources of 19% to 1.89 million ounces and Inferred Mineral Resources of 9% to 3.07 million ounces prior to 2020 depletion

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 December 31, 2020 and for the twelve month periods ended December 31, 2020, whether related to COVID-19 or otherwise, have been considered and, where appropriate, reflected in the consolidated financial statements. The future impact of COVID-19 actions as at December 31, 2020 are unknown.

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

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

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

Should an employee display symptoms that are consistent with COVID-19, there is an established isolation area at site until it is confirmed whether the employee has contracted COVID-19. If required, emergency MEDIVAC protocols are in place. At the start of the pandemic, employees whose work could be performed off site were instructed to work from home. Since June, all site personnel are back working at site with COVID-19 screening taking place at the airport. At the corporate level, head office staff work remotely.

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

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

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

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

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

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

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

The price of gold has increased in the three and twelve months ended December 31, 2020 over the comparable periods in 2019. This has had an effect on the Company's Call options and have resulted in an increase in the liability associated with these Call options, which are settled at the respective strike prices according to the terms under the Auramet Gold loan (refer to notes 10 and 11 of the consolidated financial statements).

Key Business Developments

Plutonic Gold Operations

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

The Hermes Gold Mine ("Hermes") is located approximately 65 kilometres south-west of the Plutonic Gold Mine. It includes the wholly-owned Hermes open pits, that until May 2019, were being

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

mined as a conventional open pit contractor operated excavator-truck mining operation with ore being trucked for processing at the Plutonic Gold Mine mill, and the 80% interest in the Hermes South open pit project 20 kilometres south-west of the Hermes open pits. Mining at the Hermes open pit was suspended in May 2019.

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

Quarterly performance summary

The Plutonic Gold Operations produced and sold 15,838 and 15,855 ounces of gold, respectively, for the fourth quarter of 2020. Total cash costs¹ of \$1,566/ounce sold and all-in sustaining costs¹ of \$1,685/ounce were below the realized gold price¹ of \$1,726/ounce for the three-month period ending December 31, 2020. In comparison, 20,084 and 18,899 ounces of gold were produced and sold, respectively for the fourth quarter of 2019. Total cash costs¹ of \$1,317/ounce sold and all-in sustaining costs¹ of \$1,424/ounce were below the realized gold price¹ of \$1,478/ounce for the three-month period ending December 31, 2019.

Total cash costs¹ and all-in sustaining cash costs¹ increased over the prior period primarily as a result of the greater proportion of low grade legacy stockpile material being milled in comparison to the fourth quarter of 2019 where higher grade Hermes stockpile was milled. In addition, the low grade legacy stockpile material processed in the fourth quarter of 2020 included oxide ore which required the mill to operate at a slightly reduced throughput rate. The Company used net cash from operations after working capital changes of \$6,622 for the three months ending December 31, 2020 after the repayment of \$2,088 to Auramet under the Gold loan and the purchase of the Royalty for \$4,748.

Year to date performance summary

The Plutonic Gold Operations produced and sold 63,065 and 63,732 ounces of gold, respectively, for the twelve months ended December 31, 2020. Total cash costs¹ of \$1,436/ounce sold and all-in sustaining costs¹ of \$1,564/ounce were below the realized gold price¹ of \$1,665/ounce for the twelve-month period ending December 31, 2020. In comparison, 83,035 and 83,241 ounces of gold were produced and sold, respectively, for the twelve months ended December 31, 2019. Total cash costs¹ of \$1,284/ounce sold were below the realized gold price¹ of \$1,387/ounce, while all-in sustaining costs¹ of \$1,387/ounce were at the realized gold price¹ of \$1,387/ounce for the twelve-month period ending December 31, 2019.

Total cash costs and all-in sustaining cash costs increased over the prior period primarily due to an increase in the contribution of lower grade legacy stockpiles that replaced higher grade tonnages milled from Hermes for the period (the Company ceased mining operations at Hermes in May 2019), a decrease in underground grade and the impact of the strengthening of the Australian dollar. The low grade stockpile material processed in the fourth quarter of 2020 included oxide ore which required the mill to operate at a slightly reduced throughput rate. This was partially offset by higher underground tonnes milled. The Company used net cash from operations after working capital changes of \$6,529 for the twelve months ended December 31, 2020 after the repayment of \$7,894 to Auramet under the Gold loan and the purchase of the Royalty for \$4,748.

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

Exploration Activities

During the three and twelve months ended December 31, 2020, the Company operated three underground diamond drilling rigs for most of the fourth quarter with 20,034 and 72,809 metres, respectively, of drilling completed. Of the total, 15,370 and 49,464 metres, respectively, were drilled for grade control and stope design while 4,665 and 23,344 metres, respectively, were for reserve and resource expansion. During the fourth quarter, the focus for reserve and resource expansion was interpretive geological modelling followed by drilling for new mining fronts. A third drill was added in Q4 to increase the reserve and resource expansion drilling targeting the new mining fronts.

Total expenditures for the fourth quarter were \$900, of which \$576 was expensed and \$324 was capitalized to mining interests. Total expenditures for the comparative 2019 quarter were \$1,575, of which \$812 was expensed and \$763 was capitalized to mining interests.

Year to date expenditures were \$4,221, of which \$2,644 was expensed and \$1,577 was capitalized to mining interests. The comparative year to date expenditures for 2019 were \$5,938, of which \$2,664 was expensed and \$3,274 was capitalized to mining interests.

Outlook

The Company intends to continue 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 mining fronts and reduce reliance on remnant mining
- Improving mining practices to lower costs and increase production
- Increasing operational efficiencies
- Continuing optimization of the global resource model
- Advancing open pit opportunities close to the mill

The Company has provided its 2021 production guidance in the table below. It is anticipated that the first quarter of 2021 will be the weakest, but progressively improve as the Company commences open pit mining at Plutonic East mid-year and continues to build up developed underground inventory.

2021 Guidance	Guidance (January 18, 2021)
Production (oz of Gold)	65,000 - 75,000
Cash Costs (\$/oz) ¹	\$1,350 - \$1,450
All In Sustaining Costs (\$/oz) ¹	\$1,500 - \$1,600

Note: January 18, 2021 guidance is based on an estimated Australian to U.S. Dollar exchange rate of 0.73.

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

Summary of Operational Results

	Three months ended		Twelve months ended		
	December 31		December 31		
	2020	2019	2020	2019	2018
Stope material mined (000's t)	139	145	601	538	622
Stope grade mined (g/t)	3.12	3.22	2.91	3.10	2.77
Development ore mined (000's t)	57	69	243	270	187
Development grade mined (g/t)	1.75	1.95	1.93	1.77	1.72
Hermes ore mined (000's t)	-	-	-	696	898
Hermes grade mined (g/t)	-	-	-	1.03	1.44
Hermes waste mined (000's t)	-	-	-	1,595	10,203
Strip Ratio (t:t)	-	-	-	2.3	11.4
Underground ore milled (000's t)	198	216	824	790	811
Underground grade milled (g/t)	2.69	2.81	2.62	2.68	2.53
Hermes ore milled (000's t)	-	151	-	828	653
Hermes grade milled (g/t)	-	0.67	-	1.01	1.62
Other ore milled (000's t)	168	51	681	64	156
Other ore grade milled (g/t)	0.34	0.62	0.31	0.57	0.50
Total ore milled (000's t)	366	418	1,505	1,681	1,620
Grade milled (g/t)	1.6	1.8	1.6	1.8	2.0
Gold recovery (%)	84	84	83	86	88
Gold produced (oz)	15,838	20,084	63,065	83,035	90,101
Gold sold (oz)	15,855	18,899	63,732	83,241	89,884 ⁽²⁾
Total cash costs (\$/oz) ⁽¹⁾	1,566	1,317	1,436	1,284	1,155
All-in sustaining costs (\$/oz) ⁽¹⁾	1,685	1,424	1,564	1,387	1,266
Realized gold price (\$/oz) ⁽¹⁾	1,726	1,478	1,665	1,387	1,265

Quarterly operational results

The Plutonic Gold Operations produced, 15,838 ounces of gold in the three-month period ending December 31, 2020 as compared to 20,084 ounces of gold in three-month period ending December 31, 2019. The decrease is largely as a result an increase in the contribution of lower grade legacy stockpiles that replaced higher grade tonnages milled from Hermes stockpile material. In addition, the low grade legacy stockpile material processed in the fourth quarter of 2020 included oxide ore which required the mill to operate at a slightly reduced throughput rate.

Total material milled during the three months ended December 31, 2020 decreased by 12% to 366 thousand tonnes compared to the same period in 2019, partially as a result of processing oxide ore from low grade legacy stockpiles in the fourth quarter of 2020 in comparison to the fourth quarter of 2019 where processing of the remaining Hermes stockpile occurred. Oxide ore generally requires reduced throughput with increased fines in the mill feed to ensure recovery is optimized. Head grade decreased from 1.8 g/t to 1.6 g/t primarily as a result of the greater proportion of low grade legacy stockpile being milled in comparison to the three months ended December 31, 2019. Recovery rates remained unchanged at 84% quarter over quarter.

Gold sold decreased by 3,044 ounces to 15,855 during the three months ended December 31, 2020 versus the comparative period in 2019. The 16% decrease was primarily due to the absence of tonnages of higher grade milled from Hermes that was replaced with low-grade legacy stockpiles milled in the quarter and a marginal decrease in underground grade and tonnes milled versus the prior period.

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

² Includes 4,968 ounces sold from Hermes pre-commercial production

Total cash costs¹ were \$1,566/ounce sold for the three months ended December 31, 2020, an increase from \$1,317/ounce sold from the three months ended December 31, 2019 due primarily to fewer ounces sold, partially offset by the decrease in Cost of Sales, as outlined in the Cost of Sales section of this MD&A. All-in sustaining costs¹ increased from \$1,424/ounce sold to \$1,685/ounce sold predominantly due to higher total cash costs per ounce, sustaining capital expenditures and general and administrative costs.

Year to date operational results

For the twelve months ended December 31, 2020 the Plutonic Gold Operations produced 63,065 ounces of gold compared to 83,035 ounces of gold in the twelve months ended December 31, 2019. The decrease is primarily the result of the cessation of mining activity at Hermes in May of 2019 and the completion of processing Hermes stockpiles by the end of 2019. Total material milled decreased by 10% to 1,505 thousand tonnes as oxide and non-oxide low-grade legacy stockpile feed (681 thousand tonnes at a grade of 0.31 g/t in the twelve months ended December 31, 2020) was not sufficient to offset the absence of Hermes ore (828 thousand tonnes at a grade of 1.01 g/t in the twelve months ended December 31, 2019). As previously mentioned, oxide ore generally requires the mill to run at reduced throughput rates. Head grade decreased marginally from 2.0 g/t to 1.8 g/t as a result of a higher proportion of low grade legacy stockpiles milled in the twelve months ended December 31, 2020. Recovery rates decreased from 86% to 83% as a result of Hermes ore being replaced by low-grade legacy stockpiles which typically experiences lower recoveries given the lower grade and higher than anticipated arsenic content in some of the underground mined areas during the first quarter of 2020.

Gold sold decreased by 19,509 ounces to 63,732 ounces during the twelve months ended December 31, 2020 versus the comparative period in 2019, as outlined above.

Total cash costs¹ were \$1,436/ounce sold for the twelve months ended December 31, 2020, an increase from \$1,284/ounce sold from the twelve months ended December 31, 2019 due largely to the decrease in ounces sold and the strengthening of the Australian dollar. All-in sustaining costs¹ increased from \$1,387/ounce sold to \$1,564/ounce sold due to higher total cash costs per ounce.

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

Summary of Annual Financial Statistics

	2020	2019	2018
Revenue	\$ 106,147	\$ 115,583	\$ 107,514
Cost of sales	100,600	122,663	114,091
Exploration expense	2,645	2,664	2,001
General and administrative	4,453	3,848	4,581
Operating Income (loss)	(1,551)	(13,592)	(13,159)
Income (loss) before taxes	(4,646)	(14,717)	(18,784)
Net income (loss)	(4,773)	(12,019)	(13,300)
Earnings (loss) per share			
–basic and diluted	(0.05)	(0.12)	(0.14)
Adjusted net income (loss) ¹	(3,610)	(11,563)	(10,450)
Adjusted net income (loss) per share – basic ¹	(0.04)	(0.12)	(0.11)
Cash flow from (used in) operations	(6,529)	15,887	6,568
Cash and cash equivalents	17,294	22,232	17,332
Non-current assets	78,800	62,882	63,167
Total assets	109,166	96,920	95,906
Current liabilities	31,755	37,135	25,998
Non-current liabilities	40,279	32,318	31,015

Summary of Quarterly Financial Results

	Three month period ended December 31, 2020	Three month period ended September 30, 2020	Three month period ended June 30, 2020	Three month period ended March 31, 2020
Revenue	\$ 27,422	\$ 27,223	\$ 25,026	\$ 26,476
Cost of sales	27,144	25,600	24,155	23,701
Exploration expense	577	811	613	644
General and administrative	1,546	1,209	681	1,017
Operating Income (loss)	(1,845)	(397)	(423)	1,114
Income (loss) before taxes	1,511	(2,019)	(334)	(3,804)
Net income (loss)	1,478	(2,051)	(364)	(3,836)
Earnings (loss) per share				
–basic and diluted	0.01	(0.02)	(0.00)	(0.04)
Adjusted net income (loss) ¹	(749)	(1,255)	(630)	(115)
Adjusted net income (loss) per share – basic ¹	(0.01)	(0.01)	(0.01)	(0.00)
Cash flow from (used in) operations	(6,622)	377	579	(863)
	As at December 31, 2020	As at September 30, 2020	As at June 30, 2020	As at March 31, 2020
Cash and cash equivalents	17,294	14,077	15,615	16,279
Non-current assets	78,800	67,609	62,035	58,074
Total assets	109,166	91,110	86,747	82,982
Current liabilities	31,755	33,995	33,075	30,240
Non-current liabilities	40,279	35,307	30,573	31,495

¹ 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 December 31, 2019	Three month period ended September 30, 2019	Three month period ended June 30, 2019	Three month period ended March 31, 2019
Revenue	\$ 27,959	\$ 26,588	\$ 31,629	\$ 29,407
Cost of sales	29,119	29,845	32,739	30,960
Exploration expense	812	777	523	552
General and administrative	1,167	1,051	657	973
Operating Income (loss)	(3,139)	(5,085)	(2,290)	(3,078)
Income (loss) before taxes	(3,627)	(5,668)	(2,314)	(3,108)
Net income (loss)	(3,375)	(4,150)	(1,909)	(2,585)
Earnings (loss) per share				
–basic and diluted	(0.03)	(0.04)	(0.02)	(0.03)
Adjusted net income (loss) ¹	(3,156)	(3,875)	(1,909)	(2,622)
Adjusted net income (loss) per share – basic ¹	(0.03)	(0.04)	(0.02)	(0.03)
Cash flow from operations	10,507	730	4,247	403
	As at December 31, 2019	As at September 30, 2019	As at June 30, 2019	As at March 31, 2019
Cash and cash equivalents	22,232	13,993	17,187	16,098
Non-current assets	62,882	62,038	61,052	63,031
Total assets	96,920	88,136	95,961	97,036
Current liabilities	37,135	28,423	29,566	27,403
Non-current liabilities	32,318	29,787	31,320	32,382

Results of Operations

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

The price of gold has increased over the comparable period in 2019, which has increased the Realized Gold Price¹ in the three and twelve months ended December 31, 2020 and increased the liability associated with the Company's Call options. The Call options are settled at their respective strike prices according to the terms under the Auramet Gold loan (refer to note 10 of the consolidated financial statements).

There have been no materially negative impacts on the Company's operations as a result of COVID-19 for the period ended December 31, 2020.

Operating Income (loss)

Operating loss for the three months ended December 31, 2020 was \$1,845 compared to \$3,139 for the three months ended December 31, 2019 due to lower Cost of sales of \$1,975, partially offset by lower Revenue of \$537 as outlined below.

Operating loss for the twelve months ended December 31, 2020 was \$1,551 compared to an Operating loss of \$13,592 for the twelve months ended December 31, 2019 due to lower Cost of sales of

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

\$22,063, partially offset by lower Revenue of \$9,436 and higher General and administrative expenses of \$605 as outlined below.

Revenues

During the three months ended December 31, 2020 metal sales totaled \$27,422 from the sale of 15,855 ounces of gold, a decrease of \$537 from \$27,959 from the sale of 18,889 ounces of gold for the three months ended December 31, 2019. Gold revenues were lower as a result of 3,034 fewer ounces being sold, partially offset by an increase in the realized gold price¹ to \$1,726/ounce from \$1,478/ounce.

During the twelve months ended December 31, 2020 metal sales totaled \$106,147 from the sale of 63,732 ounces of gold, a decrease of \$9,436 from \$115,583 from the sale of 83,241 ounces of gold for the twelve months ended December 31, 2019. Gold revenues were lower as a result of 19,509 fewer ounces being sold due to the absence of mill feed from Hermes as the Company ceased mining operations at Hermes in May 2019 and completed processing Hermes stockpiles in the fourth quarter of 2019, partially offset by a higher realized gold price¹ which increased from \$1,387/ounce in the twelve months ended December 31, 2019 to \$1,665/ounce in the twelve months ended December 31, 2020.

Cost of Sales

	Three months ended December 31			Twelve months ended December 31		
	2020	2019		2020	2019	2018
Mining	\$ 15,940	\$ 16,380	\$	60,337	\$ 74,556	\$ 71,995
Processing	6,060	5,426		22,258	22,431	20,948
Depreciation and amortization	2,291	1,946		8,691	12,767	16,933
Site services	1,852	1,737		6,056	4,735	4,161
Gold royalty	743	722		2,698	2,969	2,962
Change in inventories	258	2,908		560	5,205	(2,908)
	\$ 27,144	\$ 29,119	\$	100,600	\$ 122,663	\$ 114,091

Cost of Sales were \$27,144 for the three months ended December 31, 2020, a decrease of \$1,975 from \$29,119 for the three months ended December 31, 2019. Cost of sales includes mine production costs, processing costs, site services, royalties, and depreciation and amortization. Cost of sales were lower in the current period versus the same period in 2019 predominantly due to a reduction in haulage costs of \$1,278 included in Mining costs in the above table. In the fourth quarter of 2019, haulage costs were predominantly from the Hermes stockpile, located approximately 65 kilometres southwest of the mill, which had been built up prior to its stoppage of mining in the second quarter of 2019, whereas in the current quarter haulage costs pertain to the low-grade legacy stockpile which is located close to the mill. Haulage costs also fell as a result of fewer tonnes being transported (202 thousand tonnes hauled in the fourth quarter of 2019 compared to 168 thousand tonnes in respect of the legacy stockpile in the fourth quarter of 2020). The decrease in haulage costs was partially offset by the impact of higher foreign exchange rates in the current quarter on Australian dollar costs, while depreciation and amortization increased as a result of asset additions during the year. The increase in gold royalties was a result of the higher gold price, partially offset by fewer ounces sold in the quarter. Cost of sales decreased as a result of the variance in the Change in inventories category. The change in inventory of \$258 in the three months ended December 31, 2020 reflected an increase in consumables and stockpile inventory. The Change in inventory of \$2,908 in the three months ended December 31, 2019 reflected the drawdown and processing of Hermes stockpile inventory.

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

Cost of Sales were \$100,600 for the twelve months ended December 31, 2020, a decrease of \$22,063 from \$122,663 for the twelve months ended December 31, 2019. Cost of sales includes mine production costs, processing costs, site services, royalties, and depreciation and amortization. Cost of sales were lower in the current period versus the same period in 2019 predominantly due to a reduction in mining costs of \$18,844 related to Hermes mining cost up to May 2019 followed by stockpile haulage costs through to the fourth quarter of 2019, partially offset by higher haulage, payroll and maintenance costs at the underground operations. The higher haulage costs of \$1,311 reflected the movement of low-grade legacy stockpiles, as well as higher resource definition and diamond drilling costs of \$1,921 and higher payroll of \$1,826 accounted for the majority of offsetting increase in costs at the underground operation over the comparable period in 2019 which included additional personnel hired in 2019 to address underground supervisory, planning and maintenance matters. Processing costs were lower due to fewer tonnes processed while depreciation and amortization decreased primarily as a result of the stoppage of mining at Hermes in May 2019. The decrease in gold royalties were a result of fewer ounces sold in the twelve months ended December 31, 2020, partially offset by the higher gold price. Cost of sales decreased as a result of the variance in the Change in inventories category. The Change in inventory of \$560 in the twelve months ended December 31, 2020 reflected a decrease in gold-in-circuit inventory, partially offset by higher consumables and finished goods inventory. The change in inventory of \$5,205 in the twelve months ended December 31, 2019 reflected the drawdown of Hermes ore stockpile inventory in the second half of 2019 following a stockpile build-up in the first six months of 2019. Site services increased due predominantly to higher contractor and employee labour costs.

General and administrative

General and administrative expenses in the three months ended December 31, 2020 were \$379 higher in comparison to the three months ended December 31, 2019, as a result of consulting costs entered into for business development initiatives of \$115 and \$242 of costs related to the preparation of the preliminary economic assessment of the main pit pushback project which are outside ordinary business.

For the twelve months ended December 31, 2020, general and administrative expenses increased by \$605 in comparison to the twelve months ended December 31, 2019 as a result of \$378 of consulting costs for business development initiatives in the second half of the year as well as \$242 of costs related to the preparation of the preliminary economic assessment of the main pit pushback project which are outside of ordinary business.

Other Expenses (Income)

Other Income for the three months ended December 31, 2020 totaled approximately \$3,356 and included: i) the Change in valuation of Derivative financial instruments of \$2,448; ii) gain on sale of pastoral leases of \$857 (refer to note 23 of the consolidated financial statements) and iii) net finance income of \$51. Other Expenses for the three months ended December 31, 2019 totaled \$488 and included: i) the Change in valuation of Derivative financial instruments of \$111, ii) a Restructuring charge of \$86 related to management personnel changes at the Australian operations along with iii) a Gold loan accretion charge of \$196 and iv) lease and short-term finance charges of \$94.

Other Expenses for the twelve months ended December 31, 2020 totaled approximately \$3,095 and included: i) the Change in valuation of Derivative financial instruments of \$849; ii) the restructuring charge of \$1,173 associated with the Company's former Chief Executive Officer; iii) a Gold loan accretion charge of \$1,689; and iv) \$535 for lease and short-term finance charges, partially offset by the gain on sale of pastoral leases of \$857 (refer to note 23 of the consolidated financial statements). Other Expenses for the twelve months ended December 31, 2019 were comprised predominantly of the Restructuring charge of \$478 and \$484 of Net finance and other costs which included charges for accretion on provisions of \$334, accretion on the Gold loan of \$196 and lease finance charges of \$407 offset by foreign exchange gains of \$305 and interest income of \$148.

In the twelve months ended December 31, 2020 the Change in the valuation of Derivative financial instruments was \$849, a result of the revaluation of the Call Options issued as part of the Gold loan agreement with Auramet in the fourth quarter of 2019. The charge reflects the increase in the fair value of the Call options, primarily the result of the increase in the gold price during the period ended December 31, 2020. The Gold loan accretion charge also stems from the Gold loan agreement with Auramet.

Net (income) loss for the period ended December 31, 2020

The total net income of \$1,478 for the three months ended December 31, 2020 resulted primarily from the Change in valuation of derivative financial instruments of (\$2,448) and gain on sale of assets of \$857 offset by Operating losses of \$1,845. The total net loss of \$3,375 for the three months ended December 31, 2019 resulted primarily from the Operating loss of \$3,139 and the Change in valuation of Derivative financial instruments of \$111.

The total net loss of \$4,773 for the twelve months ended December 31, 2020 resulted primarily from the Operating loss of \$1,551, Change in valuation of Derivative financial instruments of \$849, Restructuring expenses of \$1,173 and Gold loan accretion charge of \$1,689, partially offset by the gain on sale of assets of \$857. The total net loss of \$12,019 for the twelve months ended December 31, 2019 resulted primarily from the Operating loss of \$13,592, the Change in valuation of Derivative financial instruments of \$111 and Restructuring charge of \$478 as noted previously, partially offset by an income tax recovery of \$2,698 resulting from the pre-tax Operating loss.

Adjusted net loss

Adjusted net loss¹ for the fourth quarter of 2020 amounted to \$749 or \$0.01 per share compared to adjusted net loss of \$3,156 or \$0.03 per share in the three months ended December 31, 2019, primarily due to the higher Operating loss in the comparative prior period (refer to the table in the section labeled "Adjusted Net Income and Adjusted basic net income per share" of this MD&A).

Adjusted net loss for the twelve months ended December 31, 2019 amounted to \$11,563 or \$0.12 per share compared to adjusted net loss of \$3,610 or \$0.04 per share in the twelve months ended December 31, 2020, primarily reflecting lower Operating Income in 2019.

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

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

Financial Position as at December 31, 2020

As at December 31, 2020, the Company's current assets totaled \$30,366 and current liabilities amounted to \$31,755, for a net working capital deficit of \$1,389. The Company closed a Bought Deal (refer to note 15 of the consolidated financial statements) on October 29, 2020 and used a portion of the proceeds from the financing to purchase the Royalty which was triggered in early July of 2020, as the cumulative gold recovered from the Plutonic Gold Operations exceeded 300,000 ounces. The Company obtained consent from Auramet, which exempted it from repaying the Gold loan with the proceeds of the financing. The majority of current assets are cash and cash equivalents of \$17,294 and inventories of \$8,797. The decrease in the working capital deficit, from \$3,097 as at December 31, 2019, was predominantly the result of the proceeds of the Bought Deal offering on October 29, 2020, purchase of the Royalty and repayment under the Gold loan of \$7,894, offset by an increase in the current portion of the Derivative financial instruments reflecting the increase in the Call option liability, also under the Gold loan.

Non-current assets increased by \$15,918 from December 31, 2019. The increase was predominantly the result of the upgrade to the Company's power equipment recognized as a new right-of-use asset lease which resulted in an addition of \$5,992, less disposal of the old lease of \$1,341, and right-of-use asset additions of \$5,909 for mobile equipment at the mine site. Non-current asset balances also increased by \$6,849 due to foreign exchange impacts. Non-current asset additions were \$2,224. Of this amount, \$1,646 was spent on development of the underground operations. Additionally, \$5,471 of capital expenditures were incurred during the twelve months ended December 31, 2020, \$1,626 of which was for expansion of tailings storage facilities, \$2,587 was for betterments to existing equipment including \$1,350 of airstrip improvements, \$175 was for improvements to the power station and \$953 for mobile equipment. These amounts were offset by \$8,751 of depreciation expense and the disposal of the pastoral lease assets, which had a net book value of \$483 (refer to note 23 of the consolidated financial statements).

Current liabilities decreased by \$5,380 to \$31,755 predominantly due to the purchase of the Royalty and a reduction in the current portion of Deferred revenue of \$3,315 stemming from repayments during the third quarter and foreign exchange movements associated with the Gold loan. These amounts were offset by an increase in the current portion of derivative financial instruments because of increases in the gold price.

Non-current liabilities increased by \$7,961, as a result of new right-of-use assets recognized as a result of the upgrade to the Company's power equipment and the addition of newly leased mobile equipment as well as the impact of foreign exchange movement on the non-current portion of provisions. These amounts were partially offset by a reduction in Deferred revenue stemming from repayments under the Gold loan such that there is only a current liability remaining under this facility.

Share capital consisted of capital stock, net of issue costs, of \$62,008. The increase of \$11,983 from December 31, 2019 was a result of the net proceeds of \$11,901 under the bought deal offering the three months ended December 31, 2020 and the issuance of shares for services of \$82 in the first three months of 2020.

Cash from (used in) Operating Activities

During the three months ended December 31, 2020 cash used in operating activities was \$6,622, while cash from operating activities was \$10,507 for the three months ended December 31, 2019. The

decrease in cash generated from operating activities was predominantly a result of repayments under the Gold loan of \$2,088 and purchase of the Royalty for \$4,748, whereas the cash generated in the three months ended December 31, 2019 was a result of proceeds from the Gold loan of \$10,093.

During the twelve months ended December 31, 2020 cash used in operating activities was \$6,529, while cash generated from operating activities was \$15,887 for the twelve months ended December 31, 2019. The decrease in cash generated from operating activities was a result of repayments under the Gold loan of \$7,894 and purchase of the Royalty for \$4,748 in 2020 and proceeds received under the Gold loan of \$10,093 in 2019.

Cash used in Investing Activities

Cash used in investing activities in the three months ended December 31, 2020 was primarily comprised of expenditures on mine interests, property, plant and equipment of \$2,358 in support of underground mine development and mill improvements, an increase of 69% compared to the \$1,396 spent in the three months ended December 31, 2019.

Cash used in investing activities in the twelve months ended December 31, 2020 was primarily comprised of expenditures on mine interests, property, plant and equipment of \$6,648 in support of underground mine development, a decrease of \$774 or 10% compared to the twelve months ended December 31, 2019.

Cash from (used in) Financing Activities

Cash from financing activities in the three months ended December 31, 2020 of \$9,656 was attributed to the issuance of shares from the Bought Deal which generated net proceeds of \$11,901. This was partially offset by repayments of the Company's lease obligations, short-term loan and interest thereon of \$2,245. For the three months ended December 31, 2019 cash used in financing activities comprised repayments of the Company's lease obligations and interest thereon of \$1,286. The increase from 2019 was a result of payments in respect of additions to the mobile fleet and the increase in amounts financed under the short-term loan and as result of higher insurance premiums.

Cash from financing activities in the twelve months ended December 31, 2020 of \$5,733 was attributed to the issuance of shares from the Bought Deal which generated net proceeds of \$11,901. This was offset by the repayment of the Company's lease obligation, short-term loan and interest thereon. For the twelve months ended December 31, 2019 cash used in financing activities comprised the repayment of the Company's lease obligation, short-term loan and interest thereon of \$4,438, partially offset by proceeds on issuance of shares stemming from the exercise of warrants of \$467. Increased lease and short-term loan repayments in 2020 reflected additions to the mobile fleet and higher insurance premiums.

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 Price¹ over the comparable periods in the three and twelve months ended December 31, 2020 and estimates for the price of gold remain positive for the next twelve months. Other than the increase in the liability associated with the Company's Call options, which are settled in gold from our production, 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. There have been no materially negative impacts on the Company's ability to sell gold or deliver gold into the Call options (refer to notes 10 of the consolidated financial statements) or the Gold loan with Auramet.

During the twelve months ended December 31, 2020, the Company used cash balances, including proceeds secured under the Gold loan in the fourth quarter of 2019, bought deal offering in October 2020 and cash inflows from the Plutonic Gold Operations to fund its expenditures on mineral interests and property, plant and equipment, as well as pay down its accounts payable and lease obligation balances. 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. As at December 31, 2020, the Company: is required to deliver a total of 2,640 ounces of gold over 6 equal monthly instalments (ending June 30, 2021); has 15,200 gold call options outstanding with Auramet at strike prices ranging from AUD\$2,275 to AUD\$2,360 per ounce of gold (these call options have expiration dates between January 29, 2021 and December 31, 2021 up to a maximum of 1,500 ounces per month); has outstanding, under the zero cost collar price protection program, nil puts and nil calls (all of the puts and calls under the zero cost collar price protection program matured on or before December 31, 2020). The Company agreed to sell a minimum of 80% of its gold production at market prices from the Plutonic Gold Operations to Auramet for a period that is not less than 6 months following repayment of the Gold loan (refer to notes 10 and 11 of the consolidated financial statements).

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future. The Company incurred a loss of \$4,773 during the year ended December 31, 2020 (2019 - \$12,019). The Company has a working capital deficiency of \$1,389 at December 31, 2020 (2019 – working capital surplus of \$3,097).

During the years ended December 31, 2020 and 2019, the Company has historically relied on debt and equity financing to maintain an adequate level of cash to satisfy its capital and operating requirements. The Company's operations used \$6,529 in cash during the year ended December 31, 2020 (2019 – generated cash of \$15,887) which included payments of \$7,894 to Auramet for the Gold loan and \$4,748 to Northern Star Resources to settle the royalty payable (2019 – included \$10,093 in proceeds from Auramet for the Gold loan).

The Company's revenues, operating results and cash inflows are highly dependent on the price at which the Company is able to sell its gold production. The price of gold increased during 2020 from a low of \$1,470 per ounce to a high of \$2,063 per ounce, closing the year on December 31, 2020 at \$1,896 per ounce. The Company has prepared its liquidity assessment based on the actual results through February 2021 and actual gold price at March 5, 2021 (\$1,700 per ounce) for the remainder of 2021. Based on that assessment, the Company believes it will have adequate liquidity for the year ending December 31, 2021.

from continuing operations and cash on hand. As noted earlier, this liquidity assessment is highly dependent on the price of gold which is outside the Company's control. The volatility in the price of gold represents an uncertainty related to the liquidity assessment and, to the extent that the price of gold declines from the gold pricing used in the liquidity assessment, the Company may have to implement additional plans to ensure that it will have sufficient liquidity for the year ending December 31, 2021 from continuing operations.

The Company may require the issuance of equity or other forms of financing to complete or accelerate programs associated with any future development and exploration initiatives that are not contemplated in its current life of mine plan. Superior Gold's ability to raise equity and other forms of financing in the future under terms acceptable to the Company will be dependent on operating performance and on global markets, in particular, the price of gold and currency exchange rates. Debt or equity markets in the future may be impacted by general market conditions and/or a COVID-19 outbreak which could have a material impact on the Company's ability to access such debt or equity market.

Off Balance Sheet Arrangements

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

Commitments & Contingencies

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

	Year ended December 31	
	2020	2019
Property, plant and equipment (i)	\$ 1,483	\$ 2,363
Termination payment (ii)	-	420
Guarantee (ii)	2,503	-
	\$ 3,986	\$ 2,783

(i) Capital commitments

In the year ended December 31, 2020, the Company entered into commitments for mobile and milling equipment. These commitments totalled \$1,483 at December 31, 2020 (December 31, 2019 - \$2,363).

(ii) Contingencies

The Company signed an agreement with its existing supplier to upgrade its power supply. The agreement included a termination provision in the event the Company terminated the upgrade of the power supply prior to its completion in the amount of \$420 as at December 31, 2019. On July 1, 2020, the power supply upgrade was completed and as such, the termination payment relating to the Company terminating the agreement prior to completion of the upgrade of the power supply no longer applies (refer to note 20 of the consolidated financial statements).

As a result of completing the power supply upgrade; on or before July 1, 2021, the Company is required to provide a guarantee to the supplier in the amount of \$2,503 that may become payable as a result of non-payment of future payments to be made under the power supply arrangement.

(iii) *Contingent Consideration*

The proceeds of acquiring a business may also include contingent consideration based on future events, some of which may be in the Company's control and some that may not be. In accordance with IFRS 3, the Company must make a determination of the fair value of that consideration using the guidance in IFRS 13 Fair value measurement. The determination of the fair value of such contingent consideration requires the Company to make certain assumptions and estimate in relation to certain future events based on the current understanding of the facts and circumstances known to them. The accounting for future changes in contingent consideration depends on whether the contingent consideration is classified as equity, an asset or a liability on inception.

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

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

Related Party Transactions

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	2020	2019
Management compensation	\$ 2,243	\$ 968
Directors' fees	116	129
Share-based payments	344	166
	\$ 2,703	\$ 1,263

Northern Star is a related party as a result of its ownership interest in the Company's common shares and warrants.

An amount of \$nil (December 31, 2019 - \$4,413) is payable to Northern Star at December 31, 2020, which represents the current royalty (note 22). In the year ended December 31, 2020, the Company received no amounts from Northern Star (December 31, 2019 - \$nil) and there are no amounts receivable at December 31, 2020 and 2019.

Critical Accounting Policies and the Use of Estimates

The discussion and analysis of the Company's financial condition and results of operations are based upon its financial statements which have been prepared in accordance with IFRS. The preparation of financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

The impact of financial instruments and areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in more detail in the Company's audited annual financial statements for the year ended December 31, 2020 which are available on the Company's website www.superior-gold.com and SEDAR at www.sedar.com.

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, 2020, except as noted below in the section labelled 'Adoption of New or Amended Accounting Policies'. The Company is of the opinion that it is not exposed to significant interest, currency or credit risks arising from outstanding financial instruments.

Adoption of New or Amended Accounting Policies

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

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

On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9, *Financial Instruments*, and IAS 39, *Financial Instruments: Recognition and Measurement*, as well as the related standard on disclosures, IFRS 7, *Financial Instruments: Disclosures*, in relation to Phase 1 of IBOR Reform and its Effects on Financial Reporting project. The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The adoption of these amendments had no impact on the financial statements.

Recent Accounting Pronouncements

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

Outstanding Share Data

The following table summarizes the capitalization of the Company as at March 9, 2021, the date of this MD&A:

	Exercise price	Expiry date	Quantity
Number of common shares issued			
Common shares	Not applicable	Not applicable	121,828,973
Number of common shares issuable			
Stock options	\$0.79	February 23, 2022	4,766,667
Stock options	\$0.79	July 5, 2022	150,000
Stock options	\$0.79	September 5, 2022	200,000
Stock options	\$1.02	June 8, 2023	125,000
Stock options	\$0.41	March 29, 2024	750,000
Stock options	\$0.76	August 15, 2024	50,000
Stock options	\$0.62	September 25, 2024	250,000
Stock options	\$0.43	December 18, 2024	100,000
Stock options	\$0.37	March 30, 2025	200,000
Stock options	\$0.59	May 13, 2025	150,000
Stock options	\$0.86	August 4, 2025	1,000,000
DSUs	Not applicable	Not applicable	424,656
PSUs	Not applicable	June 8, 2021	41,667
PSUs	Not applicable	March 29, 2022	166,667
PSUs	Not applicable	May 14, 2022	151,500
PSUs	Not applicable	May 20, 2023	125,000
RSUs	Not applicable	August 15, 2022	50,000
Warrants	\$1.5166	February 23, 2022	14,429,521
			144,959,651

Non-IFRS Performance Measures

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

Total cash costs and All-in sustaining costs

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

<i>(in thousands of dollars, except oz or per oz amounts)</i>	Three months ended December 31		Twelve months ended December 31		
	2020	2019	2020	2019	2018
Gold sold (oz)	15,855	18,889	63,732	83,241	84,916
Cost of Sales	27,144	29,119	100,600	122,663	114,091
Adjustments for:					
Depreciation and amortization	(2,302)	(1,961)	(8,751)	(12,829)	(16,933)
Share-based payments included in Cost of Sales	(13)	(14)	(57)	(34)	(20)
Inventory movements	56	(2,236)	(137)	(2,850)	1,028
Silver credits and other	(53)	(17)	(134)	(109)	(118)
Cash costs	24,832	24,891	91,521	106,841	98,048
Total cash costs (per gold oz)	1,566	1,317	1,436	1,284	1,155
Adjustments for items affecting all-in sustaining cash costs:					
Sustaining exploration and capital expenditures ¹	891	795	4,520	4,428	4,425
Share-based payments included in Cost of Sales	13	14	57	34	19
Corporate, general and administration ^{2,3}	979	1,167	3,478	3,848	4,581
Rehabilitation accretion	8	49	102	334	472
All-in sustaining cost	26,723	26,916	99,678	115,485	107,545
All-in sustaining cost (per gold oz)	1,685	1,424	1,564	1,387	1,266

Realized gold price

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

<i>(in thousands of dollars, except oz or per oz amounts)</i>	Three months ended December 31		Twelve months ended December 31		
	2020	2019	2020	2019	2018
Metal sales	\$27,422	\$27,959	\$106,147	\$115,583	\$107,514
Silver sales	(53)	(17)	(134)	(109)	(118)
Revenues from gold sales	27,369	27,942	106,013	115,474	107,396
Gold sold (oz)	15,855	18,889	63,732	83,241	84,916
Realized gold price (\$/oz)	\$1,726	\$1,478	\$1,665	\$1,387	\$1,265

Adjusted net income and Adjusted basic net income per share

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

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

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

	Three months ended December 31		Twelve months ended December 31		
<i>(in thousands of dollars, except per share amounts)</i>	2020	2019	2020	2019	2018
Net income (loss) for the period	\$1,478	(\$3,375)	(\$4,773)	(\$12,019)	(\$13,300)
Adjusted for:					
Restructuring expenses	1,173	86	1,173	478	-
Loss on settlement of royalty payable to Northern Star	-	68	132	137	4,671
Gain on sale of assets	(857)	-	(857)	-	-
Derivative financial instruments	(2,448)	111	849	111	-
Change in valuation of the warrant liability ⁽¹⁾	-	-	-	(85)	(420)
Effect on income taxes of the above items	(95)	(46)	(134)	(185)	(1,401)
Adjusted net income (loss)	(\$749)	(\$3,156)	(\$3,610)	(\$11,563)	(\$10,450)
Weighted average number of common shares outstanding - basic	114,010,598	96,982,473	101,359,532	96,864,062	95,728,044
Adjusted basic net income (loss) per share	(0.01)	(0.03)	(0.04)	(0.12)	(0.11)

Disclosure Controls and Procedures

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

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

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

1. Balance included in the statement of comprehensive earnings.

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

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

Risks and uncertainties

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

Forward-looking information

This MD&A contains forward-looking information or incorporates by reference "forward-looking statements" with respect to the Corporation. 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 Corporation's dependency on the Plutonic Gold Operations for operating revenue and cash flows in the near term; the Corporation's ability to extend the life of the Plutonic Gold Operations; the mineral reserve and mineral resource estimates in the Corporation's most recently filed technical report ("Technical Report"); information related to the Corporation's previously announced strategic review process, the potential outcome of such review process and the intended maximization of shareholder value that the Corporation believes could result from such review process; the Corporation's expectations, strategies and plans for the Plutonic Gold Mine, including the Corporation'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 Corporation 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 Corporation and its business, operations and properties; the Corporation's ability to adequately account for potential mine closure and remediation costs; the Corporation'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; future currency exchange rates and interest rates; operating conditions being favourable, including whereby the Corporation 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; and the availability of water, gas, electricity or other power supply, chemicals and other critical supplies. While the Corporation 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 Corporation 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 Corporation to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information. The Corporation 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 Corporation as at the date hereof. The Corporation 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 Keith Boyle, P.Eng., who is a member of the Professional Engineers of Ontario and a “qualified person” as defined by National Instrument 43-101 (NI 43-101). Mr. Boyle is an employee of the Company and serves as Chief Operating Officer.

Additional Information

Additional information regarding the Company, including the Company’s Annual Information Form, can be found at www.sedar.com and www.superior-gold.com.