

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

For the three and nine months ended September 30, 2017

November 14, 2017



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

### Notes

This Management's Discussion and Analysis ("MD&A") dated November 14, 2017, should be read in conjunction with Superior Gold's unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2017 ("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"). These interim financial statements should be read in conjunction with the Company's annual audited financial statements and the Management's Discussion and Analysis included within our Final Long Form Prospectus dated February 15, 2017. 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](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 results of the Company 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 100% of the Plutonic Gold Operations located in Western Australia. The Plutonic Gold Operations include the Plutonic Gold Mine, which is a producing underground operation with a central mill, the Hermes open pit development project and the right to earn up to an 80% interest in the Bryah Basin joint venture.

The Company was incorporated under the Business Corporations Act (Ontario) on July 4, 2016 as 2525908 Ontario Inc. On December 14, 2016, the Company changed its name to Superior Gold Inc. The Company is engaged in the acquisition, exploration, development and operation of gold resource properties.

The Company acquired the Plutonic Gold Operations from Northern Star Resources Ltd. ("Northern Star") on October 12, 2016 (the "Acquisition"). As consideration for the Acquisition of the Plutonic Gold Operations, the Company:

- paid A\$12.5 million cash to Northern Star upon completion of the Acquisition (which occurred on October 12, 2016);
- on completion of Superior Gold's initial public offering on February 23, 2017, paid Northern Star \$7,633 cash, 18,859,041 common shares and 14,429,521 common share purchase warrants;
- paid Northern Star a working capital adjustment in the amount of A\$4.6 million that was paid over a three month period ending December 31, 2016;
- agreed to pay Northern Star a 2% net smelter return royalty on future gold recovered from the Plutonic Gold Operations in excess of a cumulative 300,000 ounces. The royalty terminates on the earlier of; (i) the date that a cumulative A\$10 million is paid to Northern Star under the royalty,

or (ii) gold in excess of a cumulative 600,000 ounces being produced (the “Northern Star Royalty”). The Company maintains the right to purchase the Northern Star Royalty from Northern Star for a purchase price of A\$6.5 million at any time before the expiry of 30 days after the date the royalty first becomes payable;

- agreed to pay Northern Star milestone payments (“Milestone Payments”) of A\$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 JORC compliant measured, indicated and inferred resources. The aggregate of the Milestone Payments are capped at A\$10 million; and
- agreed to Northern Star being eligible to nominate one Director to the Company’s Board. Mr. Shaun Day, the current Chief Financial Officer of Northern Star was appointed to the Board.

### Third Quarter Highlights

- Commenced development of the 65 km haul road connecting Hermes to the Plutonic Gold Operations
- Began processing Sandfire Resources NL’s oxide material feedstock in mid-July at a rate of approximately 30,000 tonnes per month, producing just over 2,400 ounces of gold
- Cash, cash equivalents and restricted cash of \$36,897 at September 30, 2017
- Generated cash flow from operations of \$8,840 in the three months ended September 30, 2017
- Produced 21,621 ounces of gold at a total cash cost<sup>1</sup> of \$889 per ounce sold and all-in sustaining cost<sup>1</sup> of \$969 per ounce sold
- Sold 20,836 ounces of gold at an average realized gold price<sup>1</sup> of \$1,278 per ounce
- Addition of René Marion to the Board of Directors

### Key Business Developments

#### Initial Public Offering

Superior Gold closed its initial public offering on the TSX Venture Exchange on February 23, 2017, generating gross proceeds of \$24,916, including the exercise of the overallotment option.

#### Completed the payment for the Acquisition of Plutonic Gold Operations

Concurrent with Superior Gold’s initial public offering the Company settled the contingent payable to Northern Star, the vendor of the Plutonic Gold Operations for cash of \$7,633, 18,859,041 common shares and 14,429,521 common share purchase warrants of Superior Gold (refer to note 16 of the unaudited condensed consolidated interim financial statements). Located in Western Australia, the Plutonic Gold Operations were acquired in October 2016 and comprise a 644 km<sup>2</sup> land package which is home to the Plutonic Gold Mine.

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

## **Plutonic Gold Mine**

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 excess mill capacity offers organic growth opportunities, joint venture opportunities as well as regional opportunities to consolidate the land position.

The Plutonic Gold Mine produced and sold 21,621 and 20,836 ounces of gold, respectively for the third quarter of 2017. Total cash costs<sup>1</sup> and all-in sustaining costs<sup>1</sup> of \$889/ounce sold and \$969/ounce sold were below the realized gold price<sup>1</sup> of \$1,278/ounce for the three month period ending September 30, 2017. The Plutonic Gold Mine and the regional administrative office generated net cash from operations after working capital changes of \$9,234 for the three month period ending September 30, 2017.

For the nine months ended September 30, 2017 The Plutonic Gold Mine produced and sold 59,946 and 61,990 ounces of gold, respectively. Total cash costs<sup>1</sup> and all-in sustaining costs<sup>1</sup> of \$882/ounce sold and \$987/ounce sold were below the realized gold price<sup>1</sup> of \$1,250/ounce for the nine month period ending September 30, 2017. The Plutonic Gold Mine and the regional administrative office generated net cash from operations after working capital changes of \$22,343 for the nine month period ending September 30, 2017.

## **Hermes Open Pit Project**

The wholly-owned Hermes greenfields open pit development project is located approximately 65 kilometres south-west of the Plutonic Gold Mine. Hermes is a satellite deposit from which production is expected to commence in the fourth quarter of 2017.

A mining proposal and mine closure plan for the project, was submitted to the Western Australian Department of Mines and Petroleum in August 2016 with subsequent submissions made in November 2016. Approval of the mining proposal and the mine closure plan was received in December 2016. Final environmental approval, including the Clearing Permit, was obtained in June of 2017, which allowed for ground disturbance/clearing from July 1, 2017 onwards. The initial development of the haul road began in mid-July of 2017. In October pre-stripping operations were initiated at Hermes' Trapper pit, which is expected to supply initial mill feed by year end. Commercial production is anticipated in the first quarter of 2018. The Hermes deposit is expected to be mined as a conventional open pit contractor operated excavator-truck mining operation with ore being trucked for processing at the Plutonic Gold Mine mill. Additional information regarding the Hermes development project can be found in the Company's Technical Report (effective date September 30, 2016) which was filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on February 15, 2017.

## Exploration Activities

During the third quarter, the Company's ongoing underground diamond drilling program focused on six zones at its wholly-owned Plutonic Gold Mine: Baltic, Caribbean, Caspian, Cortez, Indian and Timor. A number of significant intersections were encountered. Results were released for 216 drill holes for a total of more than 15,000 metres. The drill holes were primarily completed for resource definition and grade control purposes. Definition drilling was designed to increase the confidence level of the mineral resources in areas where drilling was limited. Grade control drilling was completed to provide additional information for stope design ahead of mining.

The following key findings were noted:

- 199 intersections encountered more than >5g Au/t
- 81 intersections encountered more than >10g Au/t
- 30 intersections encountered more than >20g Au/t

## Oxide Material

The Company undertook negotiations and finalized an agreement in July of 2017, to acquire approximately 155,000 tonnes of oxide material from Sandfire Resources NL's (ASX:SFR – "Sandfire") DeGrussa Copper Mine. The material ("Sandfire Material") is stockpiled approximately 30 kilometres south of the Plutonic Gold Mine. Historic samples taken from this material have provided gold grades of between 0.6 g Au/t and 1.5 g Au/t. The Company will pay Sandfire \$7.80 (A\$10) per tonne of material removed from the DeGrussa Mine. To date, the Company has processed approximately 75,555 tonnes of Sandfire Material at a grade of 1.0 g Au/t, containing approximately 2,438 ounces of gold from July to September 30, 2017.

## Outlook

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

- Focusing on high-grade ounces
- Optimizing recoveries
- Increasing incremental production from underground and open pit sources
- Resource and reserve additions through property wide exploration
- Leveraging excess mill capacity

With the proceeds raised upon the completion of the initial public offering and the cash generated from the Plutonic Gold Mine, the Company has the liquidity available to execute on its near-term growth and exploration strategy.

## Summary of Quarterly Operational Results

Superior Gold Inc. was incorporated on July 4, 2016 and acquired the Plutonic Gold Operations on October 12, 2016 with the results of operations being effective as of October 1, 2016. During the period from incorporation on July 4, 2016 to September 30, 2016, Superior Gold's principal activity was the evaluation of, and negotiations in respect of acquiring, the Plutonic Gold Operations. The Company had no mining activity during this period. The below table presents production statistics of the Plutonic Gold Operations for the most recent two quarterly periods for which the Company had mining activity; the three months ended September 30, 2017 and the three months ended June 30, 2017:

	Three month period ended September 30, 2017	Three month period ended June 30, 2017
Stope material mined (t)	161,371	149,524
Stope grade mined (g/t)	4.01	3.59
Development material mined (t)	48,563	56,839
Development grade mined (g/t)	2.33	2.31
Surface material milled (t)	121,122	92,144
Surface material grade (g/t)	0.77	0.37
Total material milled (t)	324,549	308,824
Grade milled (g/t)	2.6	2.3
Gold recovery (%)	80	76
Gold produced (oz)	21,621	17,556
Gold sold (oz)	20,836	19,353
Total cash costs (\$/oz) <sup>(1)</sup>	889	970
All-in sustaining costs (\$/oz) <sup>(1)</sup>	969	1,078
Realized gold price (\$/oz) <sup>(1)</sup>	1,278	1,254

<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 Plutonic Gold Mine produced 21,621 ounces of gold in the three month period ending September 30, 2017 compared to 17,556 ounces of gold in three month period ending June 30, 2017 as a result of higher tonnages milled and higher head grade. Total underground material mined increased marginally by 2% to 209,934 tonnes and total material milled increased by 5% to 324,549 tonnes mainly due to the addition of 75,555 tonnes of Sandfire Material offsetting a reduction in low grade Surface Material milled of 46,577 tonnes in the three months ended September 30, 2017. Head grade increased marginally as a result of the change in the proportion of high grade to low grade material being processed during the three months ended September 30, 2017. Recovery rates rose from 76% to 80% as the proportion of milled tonnages from areas that typically have lower recoveries decreased and the higher recoveries associated with the third party oxide materials.

Gold sold increased by 1,483 ounces during the three months ended September 30, 2017 to 20,836 ounces in comparison to the three months ended June 30, 2017 due to increased tonnes milled, higher grade and recovery, partially offset by the timing of sales, as fewer ounces were sold at the end of the period.

Total cash costs<sup>2</sup> were \$889/ounce sold for the three months ended September 30, 2017, a decrease from \$970/ounce from the three months ended June 30, 2017 due to lower costs of sales (refer to the discussion of Cost of Sales included in this MD&A) and higher sales volumes, partially offset by increases resulting from non-cash inventory movements. All-in sustaining costs<sup>2</sup> decreased from \$1,078/ounce sold

to \$969/ounce sold due to lower total cash costs per ounce, lower sustaining capital expenditures and lower corporate general and administration expenses.

### Summary of Quarterly Financial Results

Superior Gold Inc. was incorporated on July 4, 2016 and acquired the Plutonic Gold Operations on October 12, 2016 with the results of operations being effective as of October 1, 2016. During the period from incorporation on July 4, 2016 to September 30, 2016, Superior Gold's principal activity was the evaluation of, and negotiations in respect of acquiring, the Plutonic Gold Operations. The Company had no mining activity during this period and therefore the results are not readily comparable to the subsequent three quarters. While the table below includes summarized financial information for all the five historical periods, the discussion of the Company's results is presented for the two most recent periods for which Superior Gold had mining activity; the three months ended September 30, 2017 and the three months ended June 30, 2017:

	Three month period ended September 31, 2017	Three month period ended June 30, 2017	Three month period ended March 31, 2017
Revenue	\$ 26,662	\$ 24,324	\$ 26,642
Cost of sales	23,294	23,597	22,097
General and administrative	857	948	828
Operating Income (loss)	2,511	(221)	3,717
Income (loss) before taxes <sup>1</sup>	3,077	140	(3,899)
Net income (loss) <sup>1</sup>	2,328	(82)	(3,013)
Earnings (loss) per share			
–basic and diluted <sup>1</sup>	0.02	(0.00)	(0.05)
Adjusted net income (loss) <sup>2</sup>	2,202	(213)	2,109
Adjusted net income (loss) per share – basic <sup>2</sup>	0.02	(0.00)	0.03
Cash flow from operations	8,840	3,552	7,394
	As at September 31, 2017	As at June 30, 2017	As at March 31, 2017
Cash and cash equivalents	35,128	28,613	25,925
Non-current assets	55,573	55,768	56,100
Total assets	104,030	98,673	97,982
Current liabilities <sup>1</sup>	18,786	15,423	16,386
Non-current liabilities <sup>1</sup>	27,694	28,649	27,550



	Three month period ended December 31, 2016	Period from incorporation on July 4, 2016 to September 30, 2016
Revenue	\$ 24,750	\$ -
Cost of sales	19,727	-
General and administrative	610	131
Operating Income (loss)	4,413	(131)
Income (loss) before taxes <sup>1</sup>	4,086	(531)
Net income (loss) <sup>1</sup>	3,805	(531)
Earnings (loss) per share		
–basic and diluted <sup>1</sup>	0.10	(0.05)
Adjusted net income (loss) <sup>2</sup>	2,854	N/A
Adjusted net income (loss) per share – basic <sup>2</sup>	0.11	N/A
Cash flow from operations	8,465	198
	As at	As at
	December 31, 2016	September 30, 2016
Cash and cash equivalents	6,096	216
Non-current assets	56,104	-
Total assets	75,457	13,472
Current liabilities <sup>1</sup>	34,253	765
Non-current liabilities <sup>1</sup>	27,346	-

1. Restated for adjustments to purchase price allocation of the Plutonic Gold Operations acquisition. Refer to note 16 of the condensed consolidated interim financial statements for the period ended September 30, 2017.
2. Refer to the Non-IFRS Performance Measures disclosure included in this MD&A for a description and calculation of these measures.

## Results of Operations

The condensed consolidated interim 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 consolidation purposes. The Company's results of operations are therefore subject to the impact of foreign exchange fluctuations.

### Operating Income (loss)

Operating Income for the three months ended September 30, 2017 increased by \$2,732 from a loss of \$221 for the three months ended June 30, 2017 to income of \$2,511 due primarily to higher revenue of \$2,338 and a reduction of \$303 in Cost of Sales as outlined below.

### Revenues

For the three months ended September 30, 2017, gold revenues totaled \$26,628 from the sale of 20,836 ounces of gold, up by \$2,357 from \$24,271 from the sale of 19,353 ounces of gold for the three months ended June 30, 2017. Higher gold revenues resulted from 1,483 more ounces sold during the

three months ended September 30, 2017 and an increase in the realized gold price<sup>1</sup> to \$1,278/ounce from \$1,254/ounce.

### Cost of Sales

	Three months ended September 30, 2017	Three months ended June 30, 2017
Mining	\$ 11,609	\$ 10,995
Processing	6,061	5,265
Depreciation and amortization	4,891	4,161
Site services	1,093	1,031
Exploration	273	76
Gold royalty	698	607
Change in inventories	(1,331)	1,462
	<b>\$ 23,294</b>	<b>\$ 23,597</b>

Cost of Sales were \$23,294 for the three months ended September 30, 2017, a decrease of \$303 from \$23,597 for the three months ended June 30, 2017. Cost of sales includes mine production costs, processing costs, site services, royalties, depreciation and amortization. Higher Mining costs of \$11,609 were due to higher equipment maintenance costs, partially offset by lower drilling activity in comparison to the three months ended June 30, 2017. Processing costs increased by \$796 to \$6,061 due to the increase in tonnes milled, which included the milling of the Sandfire material; which commenced in the third quarter of 2017. These processing cost increases were slightly offset by lower scheduled maintenance costs. Exploration expense increased by \$197 primarily as a result of expenditures in support of the Company's exploration program. In addition, Superior Gold experienced an increase in depreciation and amortization expense of \$730 as more gold was sold in the three months ended September 30, 2017. The Plutonic Gold Operations uses the unit-of-production basis when depreciating and amortizing mine specific assets which results in a depreciation and amortization charge proportional to the depletion of the anticipated remaining life of mine which is based on the estimated Mineral Reserves and Mineral Resources of the property to which the assets relate.

### General and administrative

In comparison to the three months ended June 30, 2017 general and administrative expenses decreased by \$91 in the three months ended September 30, 2017 as a result of lower travel costs in the third quarter and higher information technology expenses in the second quarter, partially offset by higher non-cash share-based payments of \$394 from \$370 in the three months ended June 30, 2017 associated with incremental stock options issued during the third quarter of 2017.

### Other Expenses (Income)

Other Income for the three months ended September 30, 2017 totaled approximately \$566. Other Income for the three months ended June 30, 2017 totaled \$361. The variance between the third and second quarters of 2017 of \$205 was attributed to approximately \$307 of unrealized foreign exchange gains due to the strengthening of the Canadian dollar and a gain on the change in warrant liability of \$188 as a result of a lower Company share price at September 30, 2017, partially offset by Business Acquisition Cost recoveries in the second quarter of 2017 to \$273 as final billings associated with the Plutonic Acquisition were settled.

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

For the nine months ended September 30, 2017 Other Expense (Income) of \$6,689 were primarily made up of the \$7,056 loss on settlement of the Contingent Payable to Northern Star offset by Other Income of \$367 due mainly to Business Acquisition cost recoveries of \$458 in the first six months of 2017.

### **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.

### **Net income (loss) for the three and nine-month periods ended September 30, 2017**

The total net income of \$2,328 for the three months ended September 30, 2017 resulted primarily from the Operating Earnings of \$2,511 and net finance income of \$399, partially offset by income tax expense of \$749. In comparison, for the three months ended June 30, 2017, the Company realized a total net loss of \$82 which resulted primarily from an Operating Loss of \$221, net finance income of \$148 and income tax expense of \$222 partially offset by a recovery of business acquisition expenses of \$273 as outlined above.

The net loss for the nine months ended September 30, 2017 of \$767 was mainly attributed to the loss on settlement of the Contingent Payable to Northern Star of \$7,056 partially offset by Operating Income of \$6,007 and Other Income of \$367.

### **Adjusted net income (loss)**

Adjusted net income for the third quarter of 2017 amounted to \$2,202 or \$0.02 per share, an increase from adjusted net loss of \$213 or \$0.00 per share in the three months ended June 30, 2017, primarily reflecting higher Operating and Other Income, partially offset by correspondingly higher income tax expense as outlined above.

Adjusted net income for the nine months ended September 30, 2017 was \$4,098 or \$0.05 per share and reflects the adjustments described below.

Net income/loss was adjusted to exclude specific items that are significant, and not reflective of the underlying operations of the Company, including: loss on settlement of the contingent payable to Northern Star, bargain purchase gain on the acquisition of the Plutonic Gold Operations, the change in valuation of the warrant liability, business acquisition costs, and the associated impact on income taxes. Adjusting for these items provides an additional measure to evaluate the underlying operating performance of the Company as a whole for the reporting periods presented. Refer to section "Non-IFRS Financial Performance Measures" for a reconciliation of the net income/loss to adjusted net income/loss.

### **Financial Position as at September 30, 2017**

As at September 30, 2017, the Company's current assets totaled \$48,457 and current liabilities amounted to \$18,786 for a net working capital balance of \$29,671. The majority of the current assets pertained to cash and cash equivalents of \$35,128. Higher inventories held at the Plutonic Gold Operations of \$10,074 from \$9,295 as at December 31, 2016 was mainly due to higher stockpile inventory. The movement from a working capital deficit of \$14,133 as at December 31, 2016 was mainly the result

of the elimination of the contingent payable to Northern Star of \$18,090 (A\$25,000) which was settled upon the initial public offering of the Company's common shares on the TSX Venture Exchange on February 23, 2017. The initial public offering also contributed to the increase in cash and cash equivalents of \$29,032 to \$35,128 as at September 30, 2017, as outlined in the Liquidity and Capital Resources section of this MD&A.

Non-current assets decreased marginally from December 31, 2016. Additions of \$8,871 for underground mobile equipment acquired under finance leases, capital expenditures of which \$2,616 pertained to the Hermes project, and foreign exchange impacts on non-current asset balances of \$5,925 were offset by depreciation expense \$13,913.

Share capital consisted of capital stock, net of issue costs, of \$49,220. No further shares have been issued since September 30, 2017.

### ***Cash from Operating Activities***

During the three months ended September 30, 2017 cash from operating activities was \$8,840, an increase of \$5,288 from the three months ended June 30, 2017. This increase resulted from higher Operating Income and cash inflows from working capital due to lower Receivables and Other asset balances and higher accounts payable and accrued liability balances partially offset by higher inventory levels.

During the nine months ended September 30, 2017 cash from operating activities was \$19,786, comprising Operating Income and adjustments for non-cash items, primarily depreciation and amortization and the loss on settlement of the Contingent Payable to Northern Star Resources, partially offset by a net working capital outflow of \$856.

### ***Cash used in Investing Activities***

Cash used in investing activities in the three months ended September 30, 2017 comprised expenditures on mine interests, property, plant and equipment of \$2,901 primarily in support of Hermes and underground mine development, partially offset by interest earned on cash balances of \$37 and proceeds on the sale of an asset of \$79. This represents an increase of capital expenditures of \$1,965 compared to the three months ended June 30, 2017.

Cash used in investing activities in the nine months ended September 30, 2017 comprised the payment to Northern Star to satisfy the cash obligation of \$7,633 and expenditures on mine interests, property, plant and equipment of \$5,556 primarily in support of Hermes and underground mine development.

### ***Cash from Financing Activities***

Cash from financing activities in the three months ended September 30, 2017 comprised the repayment of the Company's finance lease obligation and interest thereon of \$430, a decrease of \$131 from the three months ended June 30, 2017 as payments on the mobile equipment lease entered into in late June commenced, partially offsetting the final payments for the short-term loan and a portion of assets under finance lease which occurred during the second quarter of 2017.

Cash from financing activities in the nine months ended September 30, 2017 comprised proceeds derived from the issuance of 32,717,500 Common Shares under the initial public offering and the exercise of the overallotment option for gross proceeds of \$24,916, less share issuance costs of \$1,941 and the repayment of the Company's short-term loan, finance lease obligation and interest thereon of \$2,376.

### Liquidity and Capital Resources

During the three months ended September 30, 2017, the Company generated cash flows from the Plutonic Gold Operations to fund its expenditures on mineral interests and property, plant and equipment, and pay down its finance lease obligation.

During the nine months ended September 30, 2017, the Company completed its initial public offering and satisfied the contingent payable to Northern Star through the payment of cash and the issuance of common shares and common share purchase warrants (refer to note 16 of the unaudited interim financial statements). Subsequent to the acquisition of the Plutonic Gold Operations, the Company has generated cash flows from the Plutonic Gold Operations as well as the net proceeds from its initial public offering and overallotment to satisfy its liabilities as at September 30, 2017 and has forecast that it will have sufficient cash inflows to satisfy the Company's obligations as they come due over the next twelve months. As at September 30, 2017, Superior Gold has a working capital balance of \$31,536. As at December 31, 2016 the Company had a working capital deficit of approximately \$13,937 with current assets of \$20,316 and current liabilities of \$34,253. The deficit was the result of the contingent payable to Northern Star of \$18,090 (A\$25,000), which was payable in cash in the event the Company did not complete a listing of its common shares within six months from the Acquisition date.

Management believes the cash generated from the Company's initial public offering and cash from operations of the Plutonic Gold Mine are sufficient to fulfill its immediate operating and capital requirements. The Company may require the issuance of equity or other forms of financing to complete programs associated with its development and exploration initiatives. 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 global markets, in particular, the price of gold and currency exchange rates.

### Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Commitments

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

	<b>September 30, 2017</b>
Property, plant and equipment	\$ 410
Mine development	2,597
	<u>\$ 3,007</u>

The Company has entered into an operating lease for the operation and maintenance of a power station for the Plutonic mine site. The lease term is seven years and commenced in July 2014. The

Company has also entered into an operating lease for its head office in Toronto. The lease term is for five years and commenced in June 2017. Commitments for minimum lease payments in relation to these non-cancellable operating leases (excluding variable per kilowatt hour charges for the power station lease) are as follows:

	<b>September 30, 2017</b>	
Within one year	\$	1,651
Later than one but not later than five years		4,613
	\$	<b>6,264</b>

### Transactions with Related Parties

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:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2017</b>		<b>September 30, 2017</b>	
Management compensation	\$	220	\$	572
Directors' fees		27		74
Share-based payments		236		561
	\$	<b>483</b>	\$	<b>1,207</b>

Northern Star is a related party as a result of the 19.7% ownership interest in the Company's common shares and 14,429,521 warrants (note 16) acquired on February 23, 2017. Northern Star acquired 18,859,041 common shares and 14,429,521 warrants under the amended Acquisition Agreement, dated February 9, 2017 as partial consideration for the Plutonic Gold Operations (note 16). As at September 30, 2017 Northern Star held 18,346,261 or 19.2% of the Company's common shares and 13,960,561 warrants to purchase common shares of the Company. In the nine months ended September 30, 2017, the Company paid Northern Star \$652 related to the finance lease obligation, subsequent to February 23, 2017. The Company assumed the lease from Northern Star upon acquisition of the Plutonic Gold Operations. The Current portion of finance lease obligation includes an amount of \$114 owing to Northern Star at September 30, 2017. In the nine months ended September 30, 2017, the Company received \$207 for repair work charged to Northern Star as per the Sale and Purchase Agreement, there are no amounts receivable at September 30, 2017.

### 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 period from incorporation on July 4, 2016 to December 31, 2016. The preparation of the condensed consolidated interim financial statements requires management to makes estimates and judgments which are described in the Company's audited consolidated financial statements for the period from incorporation on July 4, 2016 to December 31, 2016.

The accounting policies and management estimates applied in the condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 are consistent with those used in the Company's consolidated financial statements for the period from incorporation on July 4, 2016 to December 31, 2016.

## Financial Instruments

The Company's significant accounting policies regarding its financial instruments are set out in the Company's audited consolidated financial statements included in its prospectus dated February 15, 2017. 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 following accounting standard is effective and implemented as of January 1, 2017:

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The implementation of the amendments to IAS 12 did not have an impact on the Company's 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 listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the consolidated financial statements to be material.

### **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 Financial instruments replaces the existing guidance in IAS 39 Financial instruments recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carried forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. Management is in the processes of assessing the impact of IFRS 9 on the Company's financial instruments, however, due to nature of the financial instruments the impact does not appear to be material.

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 Revenue from contracts with customers will replace IAS 18 Revenue, IAS 11 Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company generates revenue primarily from selling gold. The Company is currently evaluating the potential impact of IFRS 15 by analyzing its

dore sales agreements. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018, and at this time expects the impact not to be material.

#### **IFRS 16 Leases**

On January 13, 2016, the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company has not yet determined the impact of adopting IFRS 16 on the financial statements.

#### **IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

In December 2016, the IASB issued IFRIC Interpretation 22, Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. Management is in the processes of assessing the impact of IFRIC 22 on the Company's financial statements and the impact does not appear to be material.

#### **IFRIC 23 – Uncertainty over Income Tax Treatments**

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company has not yet determined the impact of adopting IFRIC 23 on the financial statements.

### **Outstanding Share Data**

The following table summarizes the capitalization of the Company as at November 14, 2017, the date of this MD&A and September 30, 2017:

	<b>Exercise price</b>	<b>Expiry date</b>	<b>Quantity</b>
<b>Number of common shares issued</b>			
Common shares	Not applicable	Not applicable	95,669,140
<b>Number of common shares issuable</b>			
Stock options	\$0.81	February 23, 2022	6,650,000
Stock options	\$0.81	July 5, 2022	300,000
Stock options	\$0.81	September 5, 2022	200,000
Stock options	\$0.81	November 3, 2022	150,000
Warrants	CAD\$0.50	February 23, 2019	1,230,000
Warrants	CAD\$1.00	February 23, 2019	681,525
Warrants	\$1.5166	February 23, 2022	14,429,521
			<b>119,310,186</b>



## 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 September 30, 2017	Three months ended June 30, 2017	Nine months ended September 30, 2017
Gold sold (oz)	20,836	19,353	61,990
Cost of Sales	23,294	23,597	68,988
Adjustments for:			
Depreciation and amortization	(4,892)	(4,161)	(13,913)
Share-based payments included in Cost of Sales	(130)	(111)	(286)
Non-cash inventory movements	282	(508)	32
Silver credits	(35)	(53)	(144)
Cash costs	18,519	18,764	54,677
Total cash costs (per gold oz)	889	970	882
Adjustments for items affecting all-in sustaining cash costs:			
Sustaining capital expenditure	446	816	2,848
Share-based payments included in Cost of Sales	130	111	286
Corporate, general and administration <sup>1</sup>	857	948	2,633
Rehabilitation accretion	246	232	713
All-in sustaining cost	20,199	20,871	61,157
All-in sustaining cost (per gold oz)	969	1,078	987

<sup>1.</sup> Corporate, general and administration costs include share-based compensation, as per the Condensed Consolidated Interim Statement of Comprehensive Income

### 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 condensed consolidated interim financial statements:

<i>(in thousands of dollars, except oz or per oz amounts)</i>	Three months ended September 30, 2017	Three months ended June 30, 2017	Nine months ended September 30, 2017
Metal sales	\$26,662	\$24,324	\$77,628
Silver sales	(35)	(53)	(144)
Revenues from gold sales	26,628	24,271	77,484
Gold sold (oz)	20,836	19,353	61,990
Realized gold price (\$/oz)	\$1,278	\$1,254	\$1,250

### 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.

Adjusted net income/loss is defined as net income/loss adjusted to exclude specific items that are significant, but not reflective of the underlying operations of the Company, including: loss on settlement of the contingent payable to Northern Star, bargain purchase gain on the acquisition of the Plutonic Gold Operations, the change in valuation of the warrant liability, business acquisition costs, 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 month period ended September 30, 2017	Nine month period ended September 30, 2017
Net income (loss) for the period	2,328	(767)
Adjusted for:		
Loss on settlement of contingent payable to Northern Star	-	7,056
Bargain purchase gain on the acquisition of the Plutonic Gold Operations	-	-
Change in valuation of the warrant liability <sup>(1)</sup>	(128)	246
Business acquisition costs	3	(458)
Effect on income taxes of the above items	(1)	(1,979)
Adjusted net income (loss)	2,202	4,098
Weighted average number of common shares outstanding - basic	95,669,140	85,373,396
Adjusted basic net income (loss) per share	0.02	0.05

<sup>1.</sup> Balance included in the statement of comprehensive earnings caption "Net finance income and costs". The related financial statements include a detailed breakdown of "Net finance income and costs".

### 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. To properly understand such risks, readers are directed to the Company's Final Long Form Prospectus dated February 15, 2017 under the heading "Risk Factors", which is incorporated by reference into this MD&A. The Final Long Form Prospectus is available on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **Forward-looking information**

Certain information contained or incorporated by reference in this MD&A, including any information as to our strategy, projects, plans or future financial or operating performance, constitutes "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "objective", "aim", "intend", "project", "goal", "continue", "budget", "estimate", "potential", "may", "will", "can", "could", "would" and similar expressions identify forward-looking statements. In particular, this MD&A contains forward-looking statements including, without limitation, with respect to: Company's objectives, goals or future plans; development and production activities at the Plutonic Gold Mine; development activities at the Hermes open pit development project; projected capital, operating and exploration expenditures; statements regarding exploration results and exploration plans; potential mineralization and mineral recoveries; and expectations regarding future price assumptions, financial performance and other guidance.

Forward-looking statements are necessarily based upon a number of estimates and assumptions including material estimates and assumptions related to the factors set forth below that, while considered reasonable by the Company as at the date of this MD&A in light of management's experience and perception of current conditions and expected developments, are inherently subject to a variety of known and unknown factors 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. Such factors include, but are not limited to: future prices of gold; the price of other commodities such as fuel; 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 Mine; production costs; the accuracy of budgeted exploration and development costs and expenditures; currency exchange rates and interest rates; the ability to raise any necessary additional capital on reasonable terms to advance the development of the Plutonic Gold Mine and pursue planned exploration activities; the successful and timely completion of the Hermes open pit development project; obtaining the 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 mining equipment; differences in size, grade, continuity, geometry or location of mineralization from that predicted by geological modelling and the subjective and interpretative nature of the geological modelling process; geological, hydrological and climactic events which may adversely affect infrastructure, operations and development plans, and the inability to effectively mitigate or predict with certainty the occurrence of such events; the Company's failure to accurately model and budget future capital and operating costs associated with the development and operation of the Plutonic Gold Mine; contests over title to properties; the supply of adequate infrastructure to sustain operations; the Company's management being unable to successfully attract and retain highly skilled personnel; compliance with Australia's environmental regulations; the impact of competitive conditions in the mineral exploration and mining businesses; limits of insurance coverage and uninsurable risk; the adverse effect of currency fluctuations on the Company's financial performance; the dilutive effect and inherent risks and costs of acquisitions, investments or divestitures and the failure of such acquisitions, investments or divestitures to deliver the benefits anticipated; the costs associated with legal proceedings should the Company become the subject of litigation or regulatory proceedings; and other risks involved in the exploration, development and mining business generally, including, without limitation, environmental risks and hazards, cave-ins, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions and losses.

The Company cautions that 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, investors should not place undue reliance on forward-looking information. Except as required by law, the Company does not assume any obligation to update or revise any forward-looking information contained in this MD&A to reflect events or circumstances after the date hereof.

### **Technical Information**

Scientific and technical information in this MD&A has been reviewed and approved by Alfred Gillman Fellow AusIMM (Chartered Professional, Geology) and a "qualified person" within the meaning of NI 43-101. Mr. Gillman is a Consultant to Superior Gold Inc.

### **Additional Information**

Additional information regarding the Company can be found at [www.sedar.com](http://www.sedar.com) and [www.superior-gold.com](http://www.superior-gold.com). A copy of Superior Gold's long form prospectus dated February 15, 2017 is available at [www.sedar.com](http://www.sedar.com).