



**Condensed Consolidated
Interim Financial Statements**

March 31, 2022

(Unaudited - Expressed in thousands of United States dollars)

SUPERIOR GOLD INC.**Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in thousands of United States Dollars)**

	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19,919	\$ 23,789
Receivables and other assets	3,156	3,929
Inventories (note 6)	12,735	8,380
Total current assets	35,810	36,098
Non-current assets		
Mining interests; and property, plant and equipment (note 7)	74,185	74,792
TOTAL ASSETS	\$ 109,995	\$ 110,890
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 15,039	\$ 15,575
Short-term loan (note 8)	740	1,381
Current portion of lease obligation (note 15)	2,838	2,754
Current portion of provisions (note 9)	5,998	5,976
Total current liabilities	24,615	25,686
Non-current liabilities		
Lease obligation (note 15)	7,565	8,021
Provisions (note 9)	24,930	27,328
Deferred share units liability (note 12 (d))	96	77
Deferred tax liability (note 14)	4,204	4,234
Total non-current liabilities	36,795	39,660
TOTAL LIABILITIES	\$ 61,410	\$ 65,346
SHAREHOLDERS' EQUITY		
Share capital (note 12(a and b))	\$ 62,662	\$ 62,493
Contributed Surplus	6,725	6,687
Accumulated other comprehensive loss	(1,734)	(3,144)
Deficit	(19,068)	(20,492)
TOTAL EQUITY	\$ 48,585	\$ 45,544
TOTAL EQUITY AND LIABILITIES	\$ 109,995	\$ 110,890

Commitments and contingencies note 10

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

SUPERIOR GOLD INC.**Condensed Consolidated Interim Statements of Income and Comprehensive Income
(Unaudited)
(Expressed in thousands of United States Dollars, except per share amounts)**

	Three Months ended March 31	
	2022	2021
REVENUES		
Metal sales (note 5)	\$ 30,236	\$ 31,220
EXPENSES		
Cost of sales	26,691	26,920
Exploration expense	639	622
General and administrative	1,465	1,464
OPERATING INCOME	1,441	2,214
OTHER EXPENSES (INCOME)		
Net finance cost (note 13)	160	402
Gain on sale of assets	-	(5)
Change in valuation of derivative financial instruments	-	(1,743)
INCOME BEFORE TAXES	1,281	3,560
Income and mining tax (recovery) expense (note 14)	(143)	33
NET INCOME FOR THE PERIOD	\$ 1,424	\$ 3,527
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation gain (loss) on foreign operations	1,410	(453)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 2,834	\$ 3,074
Income per share (note 12(e)):		
Basic income per share	\$ 0.01	\$ 0.03
Diluted income per share	0.01	0.03
Weighted average number of Common Shares outstanding (basic)	122,888,508	121,806,195
Weighted average number of Common Shares outstanding (diluted)	123,727,288	122,014,008

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

SUPERIOR GOLD INC.**Condensed Consolidated Interim Statements of Changes in Equity****(Unaudited)****(expressed in thousands of United States dollars unless otherwise stated)**

	Note	Number of shares issued	Share capital	Contributed Surplus	Deficit	Accumulated other comprehensive income/(loss)	Total
Balance as at January 1, 2021		121,778,973	\$ 62,008	\$ 6,484	\$ (30,429)	\$ (931)	\$ 37,132
Exercise of stock options	12	50,000	29	(8)	-	-	21
Share-based payments, excluding cash settled awards	12	-	-	73	-	-	73
Total comprehensive (income) loss		-	-	-	3,527	(453)	3,074
Balance as at March 31, 2021		121,828,973	\$ 62,037	\$ 6,549	\$ (26,902)	\$ (1,384)	\$ 40,300
Balance as at January 1, 2022		122,735,058	\$ 62,493	\$ 6,687	\$ (20,492)	\$ (3,144)	\$ 45,544
Exercise of stock options	12	300,000	169	(46)	-	-	123
Share-based payments	12	-	-	84	-	-	84
Total comprehensive (income) loss		-	-	-	1,424	1,410	2,834
Balance as at March 31, 2022		123,035,058	\$ 62,662	\$ 6,725	\$ (19,068)	\$ (1,734)	\$ 48,585

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

SUPERIOR GOLD INC.**Condensed Consolidated Interim Statements of Cash Flows****(Unaudited)****(expressed in thousands of United States dollars unless otherwise stated)**

	Three months ended March 31	
	2022	2021
-		
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net Income for the period	\$ 1,424	\$ 3,527
Adjustments:		
Depreciation and amortization	2,086	2,527
Share-based payments	102	73
Employee provisions expense	786	987
Net finance cost	160	402
Change in valuation of derivative financial instruments	-	(1,743)
Gain on sale of assets	-	(5)
Income tax (recovery) expense	(143)	33
Gold loan repayments	-	(2,210)
Employee provisions paid	(926)	(930)
	3,489	2,661
Net changes in non-cash working capital items:		
Receivables and other assets	857	1,948
Inventories	(3,964)	(356)
Accounts payable and accrued liabilities	30	(294)
	412	3,959
INVESTING ACTIVITIES		
Interest received	1	1
Expenditures on mineral interests; and property, plant and equipment	(3,424)	(1,585)
Proceeds on sale of assets	-	39
	(3,423)	(1,545)
FINANCING ACTIVITIES		
Issuance of common shares	123	21
Repayment of short-term loan	(660)	(566)
Repayment of finance lease obligation	(685)	(1,027)
Interest paid	(161)	(208)
	(1,383)	(1,780)
Effect of exchange rates on cash & cash equivalents	524	(20)
Increase (decrease) in cash and cash equivalents	(3,870)	614
Cash and cash equivalents, beginning of period	23,789	17,294
Cash and cash equivalents, end of period	19,919	17,908

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

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements (the “financial statements”) have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements do not include all the information required for full annual financial statements and therefore should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2021 prepared in accordance with IFRS as issued by the IASB. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Company’s financial position and performance since the last annual consolidated financial statements.

The Company has applied the same accounting policies and methods as those described in the annual consolidated financial statements for the year ended December 31, 2021, except as described in note 3.

Basis of measurement

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

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

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2021.

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

Basis of consolidation

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

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

3. NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

On May 14, 2020, the IASB issued amendments to IAS 16 *Property, Plant and Equipment*. The amendments to IAS 16 require that proceeds derived from items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management be recognized, along with the cost of those items, in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2 *Inventories*. The amendments were effective for annual periods beginning on or after January 1, 2022. The Company has adopted the amendment with no impact to the financial statements.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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

On April 1, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*. The amendments to IAS 1 clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective from January 1, 2023. The Company does not expect an impact to the financial statements as a result of this amendment.

In May 2021, the IASB published a narrow scope amendment to IAS 12 Income taxes. In September 2021, IAS 12 was revised to reflect this amendment. The amendment narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as deferred taxes on leases and decommissioning obligations. The amendment is effective for annual periods beginning on or after January 1, 2023, and applied retrospectively. The Company does not expect an impact to the financial statements as a result of this amendment.

5. METAL SALES

	Three months ended			
	March 31			
		2022		2021
Gold sales	\$	30,217	\$	31,173
Silver sales		19		47
	\$	30,236	\$	31,220

The Company's main source of revenue is the sale of gold. The sale of gold is transacted with two customers, The Perth Mint and Auramet International LLC ("Auramet"). There are no contract receivables for gold sales as at March 31, 2022 or December 31, 2021.

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

6. INVENTORIES

	March 31, 2022	December 31, 2021
Consumable stores	\$ 6,907	\$ 5,519
Stockpiles	638	323
Gold in circuit	5,034	2,448
Dore on hand	156	90
	\$ 12,735	\$ 8,380

The cost of inventories recognized as an expense and included in Cost of sales in the period ended March 31, 2022 and 2021 was \$26,680 and \$26,909, respectively. During the three months ended March 31, 2022, there were \$nil write downs (March 31, 2021 - \$nil) of consumables inventory.

7. MINING INTERESTS; AND PROPERTY, PLANT AND EQUIPMENT

	Mining interests	Property, plant and equipment	Capital work in progress	Total
<i>Cost:</i>				
As at December 31, 2021	\$ 90,159	\$ 48,196	\$ 3,462	\$ 141,817
Additions	1,327	-	1,101	2,428
Changes in rehabilitation asset	(3,185)	-	-	(3,185)
Right of use assets (note 15)	-	-	-	-
Transfers	-	1,322	(1,322)	-
Foreign exchange movement	2,747	1,538	101	4,386
March 31, 2022	91,048	51,056	3,342	145,446
<i>Accumulated depreciation:</i>				
As at December 31, 2021	39,962	27,063	-	67,025
Depreciation charge	617	1,469	-	2,086
Foreign exchange movement	1,265	885	-	2,150
March 31, 2022	41,844	29,417	-	71,261
Net book value:				
As at beginning of period	\$ 50,197	\$ 21,133	\$ 3,462	\$ 74,792
As at March 31, 2022	\$ 49,204	\$ 21,639	\$ 3,342	\$ 74,185

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

	Mining interests	Property, plant and equipment	Capital work in progress	Total
<i>Cost:</i>				
As at December 31, 2020	\$ 92,303	\$ 47,626	\$ 931	\$ 140,860
Additions	3,322	-	5,701	9,023
Right of use assets (note 15)	-	1,076	-	1,076
Transfers	-	3,128	(3,128)	-
Disposals	-	(726)	-	(726)
Foreign exchange movement	(5,466)	(2,908)	(42)	(8,416)
December 31, 2021	90,159	48,196	3,462	141,817
<i>Accumulated depreciation:</i>				
As at December 31, 2020	39,701	22,359	-	62,060
Depreciation charge	2,646	6,923	-	9,569
Disposals	-	(693)	-	(693)
Foreign exchange movement	(2,385)	(1,526)	-	(3,911)
December 31, 2021	39,962	27,063	-	67,025
Net book value:				
As at beginning of period	\$ 52,602	\$ 25,267	\$ 931	\$ 78,800
As at December 31, 2021	\$ 50,197	\$ 21,133	\$ 3,462	\$ 74,792

The right-of-use assets will be amortized over the remaining term of the contracts, which is 0.8 to 3.4 years as of March 31, 2022.

8. SHORT-TERM LOAN

The short-term loan of \$740 (December 31, 2021 - \$1,381) represents amounts owing to two financial institutions which financed the Company's annual insurance premiums. The term of the loans are payable in 10 equal monthly installments commencing in November 2021, terminating in August 2022, bear interest at 3.1% and 5.5%, respectively, and are secured by any proceeds of insurance claims.

9. PROVISIONS

	March 31, 2022	December 31, 2021
Employee entitlements	\$ 5,994	\$ 5,953
Rehabilitation	24,934	27,351
Total provisions	\$ 30,928	\$ 33,304
Current	\$ 5,998	\$ 5,976
Non-current	24,930	27,328
	\$ 30,928	\$ 33,304

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

	Employee Entitlements	Rehabilitation	Total provisions
Beginning balance, January 1, 2021	\$ 5,880	\$ 29,154	\$ 35,034
Accretion	-	12	12
Revisions to expected cash flows	3,910	(118)	3,792
Disbursements	(3,482)	-	(3,482)
Foreign exchange movement	(355)	(1,697)	(2,052)
Balance, December 31, 2021	5,953	27,351	33,304
Accretion	-	20	20
Revisions to expected cash flows	786	636	1,422
Changes in discount and inflation rates	-	(3,821)	(3,821)
Disbursements	(926)	-	(926)
Foreign exchange movement	181	748	929
Balance, March 31, 2022	5,994	24,934	30,928
Current	5,811	187	5,998
Non-current	183	24,747	24,930
Balance, March 31, 2022	\$ 5,994	\$ 24,934	\$ 30,928

(i) *Employee entitlements*

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

(ii) *Rehabilitation provision*

The Company assesses its mine rehabilitation provision annually. Significant judgment is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate the mine sites, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which the change becomes known. As at March 31, 2022, the mine rehabilitation provision has been discounted using discount rates of 1.1% - 3.1% (2021 - 0.3% - 2.3%) and the cash flows have been inflated using an inflation rate of 2.1% - 2.4% (2021 - 1.7% - 2.4%), payable over the years 2022 to 2036. As at March 31, 2022, the total undiscounted estimated reclamation costs are approximately \$24,778 (2021 - \$24,029). These expenditures are expected to be incurred in Australian dollars.

10. COMMITMENTS AND CONTINGENCIES

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

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

(i) *Capital commitments*

In the three months ended March 31, 2022, the Company entered into commitments for mobile and milling equipment. These

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

commitments totalled \$2,207 at March 31, 2022 (December 31, 2021 - \$1,923).

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

The fair value of the Milestone Payments was determined to have \$nil value as at March 31, 2022 (December 31, 2021 - \$nil) as Management determined that it was uncertain that the threshold outlined in the Acquisition Agreement of 1,717,000 ounces of Joint Ore Reserves Committee 2012 compliant measured, indicated and inferred resources will be reached.

11. FINANCIAL INSTRUMENTS

Fair value

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

The carrying value of lease obligations approximate fair value as the rate implicit in the lease is not significantly different from market rates and are classified as Level 2 in accordance with the fair value hierarchy.

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

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

Letter of guarantee facility

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

The Credit Facility includes an aggregate fee of 3.23% calculated on drawn amounts and is secured by an assignment of a performance security guarantee issued by Export Development Canada in support of the Plutonic Gold Operations. The Credit Facility contains covenants customary for a loan facility of this nature, including limits on indebtedness and change of control. It contains a financial covenant test requiring that the Company maintain a minimum liquidity

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

covenant of AUD\$5.0 million. At March 31, 2022 the Company was in compliance with all covenants.

Guarantees have been issued under the Credit Facility as at March 31, 2022 in the amounts of \$3,933 to secure power and gas supply (December 31, 2021 - \$3,814). During the three months ended March 31, 2022, the Company paid \$96 in associated fees on the Credit Facility (March 31, 2021 - \$53).

12. SHARE CAPITAL

a) Authorized share capital

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

b) Issued and outstanding

	Number of shares	Amount
Balance, January 1, 2021	121,778,973	\$ 62,008
Shares issued under:		
Exercise of stock options	50,000	29
Issuance of RSUs	906,085	456
Balance, December 31, 2021	122,735,058	\$ 62,493
Shares issued under:		
Exercise of stock options	300,000	169
Balance, March 31, 2022	123,035,058	\$ 62,662

c) Warrants

As at March 31, 2022, the Company had nil Warrants outstanding (December 31, 2021 - 14,429,521 with a weighted average exercise price of (December 31, 2021 \$1.5166 – (CAD\$1.92) with a term to February 23, 2022, upon which, the Warrants expired unexercised.

SUPERIOR GOLD INC.**Notes to the Condensed Consolidated Interim Financial Statements****For the three months ended March 31, 2022****(expressed in thousands of United States dollars unless otherwise stated)****d) Share-based payments****(i) Share option plan**

Movements in the share options are summarized below:

	Number of options	Weighted average exercise price ⁽¹⁾	Weighted average exercise price (CAD\$)
Balance, January 1, 2021	7,791,667	\$ 0.73	\$ 0.94
Granted	1,450,000	0.50	0.63
Forfeited	(641,667)	0.61	0.77
Exercised	(50,000)	0.44	0.55
Balance December 31, 2021	8,550,000	\$ 0.71	\$ 0.90
Granted	-	-	-
Expired	(2,050,000)	0.80	1.00
Exercised	(300,000)	0.42	0.52
Balance March 31, 2022	6,200,000	\$ 0.71	\$ 0.89

⁽¹⁾ At March 31, 2022, the U.S. dollar weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.7999 (December 31, 2021 – 0.7912).

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

	December 31, 2021
Number of share options granted	1,450,000
Expected volatility ⁽¹⁾	75%
Risk free interest rate	0.63%
Estimated forfeiture rate	10%
Expected dividend yield	Nil
Expected life in years	3.5
Fair value (weighted average)	
- CAD\$	0.31
- U.S. \$ ⁽²⁾	0.25

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

⁽²⁾ The U.S. dollar weighted average Black-Scholes value was calculated using the spot Canadian to U.S. dollar exchange rate on the date of grant.

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

Share options outstanding and exercisable at March 31, 2022 are:

Options outstanding					Options exercisable			
Exercise price (CAD\$)	Number of options	Weighted average exercise price ⁽¹⁾	Weighted average exercise price CAD\$	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price ⁽¹⁾	Weighted average exercise price CAD\$	Weighted average remaining contractual life (years)
\$0.47	200,000	\$0.38	\$0.47	3.00	133,333	\$0.38	\$0.47	3.00
\$0.52	200,000	\$0.42	\$0.52	2.00	200,000	\$0.42	\$0.52	2.00
\$0.62	1,250,000	\$0.50	\$0.62	4.36	-	-	-	-
\$0.71	200,000	\$0.57	\$0.71	4.04	-	-	-	-
\$0.75	150,000	\$0.60	\$0.75	3.12	50,000	\$0.60	\$0.75	3.12
\$0.96	50,000	\$0.77	\$0.96	2.38	33,333	\$0.77	\$0.96	2.38
\$1.00	3,150,000	\$0.80	\$1.00	0.13	3,150,000	\$0.80	\$1.00	0.13
\$1.09	1,000,000	\$0.87	\$1.09	3.35	333,333	\$0.87	\$1.09	3.35
\$0.89	6,200,000	\$0.71	\$0.89	1.88	3,899,999	\$0.77	\$0.96	0.68

⁽¹⁾ At March 31, 2022, the U.S. weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.7999 (2020 – 0.7912).

(ii) Performance Share Units

Under the Share unit plan, PSUs may be granted to employees of the Company. A PSU represents the right to receive a common share of the Company at vesting, subject to the determination of the Company's Board of Directors.

The number of PSUs that will ultimately vest is based on the Company's share price performance relative to the VanEck Vectors Junior Gold Miners ETF over the term of the applicable PSU performance period. Under the terms of the PSU Plan, the Board of Directors is authorized to determine whether the performance criteria have been met.

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

Number of Performance Share Units

Balance January 1, 2021	484,834
Granted	512,500
Expired	(125,000)
Forfeited	(383,334)
Balance December 31, 2021 and March 31, 2022	489,000

The PSUs vest over a period of time as established by the Board. The PSUs outstanding vest in one tranche on the third anniversary of the grant. There were nil grants, expiries or forfeitures of PSUs in the three months ended March 31, 2022. As at December 31, 2021, 125,000 PSUs expired as the performance condition in respect of the Company's share price performance relative to the VanEck Vectors Junior Gold Miners ETF over the term of the PSU performance period was not met and 383,334 were forfeited.

The fair value of the PSUs granted was calculated using a Monte Carlo model approach. The Monte Carlo model approach requires the use of subjective assumptions including expected share price volatility, risk-free interest rate, and estimated forfeiture rate. Historical data is considered in setting the assumptions. The estimated fair value of PSUs is amortized on a straight-line basis over the related performance period. Under this method, a portion of the fair value of the PSUs is recognized at each reporting period based on the pro-rated number of months the eligible employees are employed by

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

the Company compared to the vesting period of each grant.

The following is a summary of the assumptions used in the Monte Carlo model approach for PSUs granted in the periods ended December 31, 2021:

	2021
Number of performance share units granted	512,500
Expected volatility ⁽¹⁾	78%
Risk free interest rate	0.50%
Estimated forfeiture rate	0%
Expected dividend yield	Nil
Expected life in years	2.54
Fair value (weighted average)	
- CAD\$	0.28
- U.S. \$ ⁽²⁾	0.22

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

⁽²⁾ The U.S. dollar weighted average Monte Carlo model value was calculated using the spot Canadian to U.S. dollar exchange rate on the date of grant.

(iii) Restricted Share Units

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

	Number of Restricted Share Units
Balance January 1, 2021	50,000
Granted	906,085
Issued	(906,085)
Balance December 31, 2021 and March 31, 2022	50,000

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

The fair value of RSUs is determined by reference to the Company's share price when the units are awarded. The total fair value of unvested RSUs that will be recognized in future periods amounted to \$4 as at March 31, 2022 (December 31, 2021: \$7).

(iv) Deferred Share Units and Phantom Deferred Share Units

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

SUPERIOR GOLD INC.**Notes to the Condensed Consolidated Interim Financial Statements****For the three months ended March 31, 2022****(expressed in thousands of United States dollars unless otherwise stated)**

	Number of Deferred Share Units
Balance January 1, 2021	424,656
Granted	128,480
Balance December 31, 2021 and March 31, 2022	553,136

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

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

	Three months ended March 31	
	2022	2021
Equity settled plans		
Cost of sales		
Mining – Share option plans	\$ -	\$ 4
Site services – Share option plan	11	7
	11	11
General and administrative		
Share option plan	61	50
Deferred share units ¹	18	-
Performance share units	9	9
Restricted share units	3	3
	91	62
	\$ 102	\$ 73

⁽¹⁾ Beginning in May, 2021, Share based payment expense pertains to Phantom DSUs.

e) Earnings per share

The following table details the weighted average number of common shares outstanding for the purpose of computing basic and diluted earnings (loss) per share:

	Three months ended March 31	
Number of Common Shares	2022	2021
Basic weighted average shares outstanding	122,888,508	121,806,195
Weighted average shares dilution adjustments:		
Share options	501,280	207,813
Deferred Share Units	-	-
Performance Share Units	337,500	-
Restricted Share Units	-	-
Warrants	-	-
Diluted weighted average shares outstanding	123,727,288	122,014,008

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

- Dilutive share options were determined using the Company's average share price for the period, resulting in 5,698,720

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

- share options being excluded from the calculation of diluted earnings per share for the three months ended March 31, 2022 (three months ended March 31, 2021 – 7,533,855 share options and 14,429,521 Warrants).
- In respect of the performance share units, the share dilution adjustment was determined using the increase in the Company's share price relative to the VanEck Vectors Junior Gold Miners ETF, resulting in 151,500 performance share units being excluded from the calculation of diluted earnings per share for the three months ended March 31, 2022 (three months ended March 31, 2021 – 401,501).
- The 424,656 of equity settled deferred share units and 50,000 restricted share units were excluded from the calculation of diluted earnings per share as they are anti-dilutive for the three months ended March 31, 2022 and 2021.

13. NET FINANCE (INCOME) COSTS

	Three months ended March 31	
	2022	2021
Accretion of provisions	\$ 20	\$ 4
Accretion on Gold loan	-	285
Lease and short-term loan finance charges	161	208
Interest income	(1)	(1)
Foreign exchange (gain)/loss	(20)	(94)
	\$ 160	\$ 402

14. TAXES

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

The tax (recovery) expense for the three months ended March 31, 2022 was (\$143) (March 31, 2021 – \$33).

15. LEASE OBLIGATIONS

Right-of-use assets

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

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

Cost:

December 31, 2020	\$	23,524
ROU asset additions		1,076
Foreign exchange movement		(1,416)
December 31, 2021		23,184

Accumulated depreciation

December 31, 2020		9,410
Depreciation charge		4,084
Foreign exchange movement		(680)
December 31, 2021		12,814
As at December 31, 2021	\$	10,370

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

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

<i>Cost:</i>		
December 31, 2021	\$	23,184
ROU asset additions		-
Foreign exchange movement		716
March 31, 2022		23,900
<i>Accumulated depreciation</i>		
December 31, 2021		12,814
Depreciation charge		871
Foreign exchange movement		422
March 31, 2022		14,107
As at March 31, 2022	\$	9,793

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

Interest expense on lease obligations for the three months ended March 31, 2022 was \$157 (March 31, 2021 - \$191). Total cash outflow for leases for the three months ended March 31, 2022 was \$842 (March 31, 2021 - \$1,218), including \$nil (March 31, 2021 - \$nil) for short-term leases. Expense relating to variable lease payments not included in the measurement of the lease liability was \$256 for the three months ended March 31, 2022 (March 31, 2021 - \$261). Expenses for leases of low-dollar value items are not material.

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

16. CAPITAL MANAGEMENT

The Company's objective when managing capital is to ensure the Company continues as a going concern by ensuring it has an appropriate amount of liquidity and that it has an appropriate capital structure. Management monitors the amount of cash, undrawn (or potentially available) financing, equity in the capital structure and adjusts the capital structure, as necessary, to support the operation, development and exploration of its projects. As at March 31, 2022, the Company's current assets of \$35,810 exceeded its current liabilities of \$24,615. The Company believes it will have adequate liquidity from continuing operations and cash on hand.

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

The Board of Directors has not established criteria for quantitative return on capital for management, but rather relies on the expertise of management to sustain future development of the business. The Company considers its capital to be shareholders' equity, which amounted to \$48,585 at March 31, 2022 (December 31, 2021 - \$45,544).