Management's Discussion and Analysis

For the three months ended March 31, 2018

May 14, 2018

SUPERIOR GOLD INC.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

Notes

This Management's Discussion and Analysis ("MD&A") dated May 14, 2018, should be read in conjunction with Superior Gold's unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2018 and 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 for the year ended December 31, 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) and on the Company's website (www.superior-gold.com).

The Company was incorporated on July 4, 2016 and acquired the Plutonic Gold Operations from Northern Star Resources Ltd. on October 12, 2016

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

Description of the Business

Superior Gold Inc. (the "Company" or "Superior Gold") is a Canadian based gold producer that owns and operates 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.

First Quarter Highlights

- Substantial growth in Mineral Reserves and Resources as demonstrated in the updated Mineral Reserve and Mineral Resource estimate effective as at December 31, 2017
- Declaration of commercial production at Hermes
- Produced 19,232 ounces of gold, including 5,054 pre-production ounces from Hermes
- Sold 18,940 ounces of gold, including 4,968 of Hermes pre-commercial production ounces. Non-Hermes ounces were sold at a total cash cost[1] of $1,256 per ounce sold, all-in sustaining cost[1] of $1,421 per ounce sold and average realized gold price[1] of $1,331 per ounce sold
- Cash, cash equivalents and restricted cash of $25,633 at March 31, 2018
- By quarter end, with the addition of Hermes, the mill was operating at full capacity

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

Key Business Developments

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. At the time of the acquisition, the excess mill capacity offered organic growth opportunities, joint venture opportunities as well as regional opportunities to consolidate the land position.

The Plutonic Gold Mine produced and sold 14,178 and 13,972 ounces of gold, respectively for the first quarter of 2018. Total cash costs[1] of $1,256/ounce sold was below the realized gold price[1] of $1,331/ounce for the three-month period ending March 31, 2018. All-in sustaining costs of $1,421/ounce were above the realized gold price as a result of fewer ounces sold due to lower grades realized in the current quarter as well as the emphasis of feeding Hermes' pre-production tonnages through the mill. In comparison, 20,769 and 21,801 ounces of gold were produced and sold, respectively for the first quarter of 2017, while total cash costs[1] and all-in sustaining costs[1] of $799/ounce sold and $920/ounce sold were below the realized gold price[1] of $1,219/ounce for the three-month period ending March 31, 2017. The majority of the variance stems from the Company's focus of achieving commercial production at Hermes, which was successfully accomplished (refer to note 19 of the Company's March 31, 2018 condensed consolidated interim financial statements). As a result, the proceeds of $6.6 million from 4,968 ounces of gold sold during the quarter were capitalized to Mining Interests rather than being credited to Metal sales. Additionally, lower grades at the Company's underground operations during the first quarter of 2018 resulted in lower production and fewer ounces available to be sold.

Hermes Open Pit Project

The wholly-owned Hermes open pit development project is located approximately 65 kilometres south-west of the Plutonic Gold Mine.

In October 2017 pre-stripping operations were initiated at Hermes' Trapper pit. Initial processing of mineralization commenced on schedule in late December 2017. On March 26, 2018, the Company achieved another important milestone with the declaration of commercial production at the Hermes project, with inclusion of operating results to commence on April 1, 2018. The contribution of ore from Hermes is expected to allow the Company to reach its objective of increasing annual production to more than 100,000 ounces of gold. During the three months ended March 31, 2018, Hermes produced 5,054 ounces of gold.

The Hermes deposit is being 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) on February 15, 2017. An updated NI 43-101 Technical Report effective December 31, 2017, will be available on the Company's SEDAR profile (www.sedar.com).

Exploration Activities

During the first quarter, the Company's ongoing underground diamond drilling program focused on seven zones at its wholly-owned Plutonic Gold Mine: Area 134, Baltic, Caribbean, Caspian, Cortez, Indian and Pacific. A number of significant intersections were encountered. Results were released for 149 drill holes with a total of more than 10,000 metres. The drill holes were primarily completed for resource definition and grade control purposes. Resource definition drilling was designed to increase the confidence level of the mineral resources in areas where drilling was limited as part of the ongoing work to upgrade resources to reserves. Grade control drilling was completed to provide additional information for stope design ahead of mining. The following key findings were noted:

- 187 intersections encountered more than >5g Au/t
- 103 intersections encountered more than >10g Au/t
- 30 intersections encountered more than >20g Au/t
- 7 intersections encountered more than >50g Au/t
- A new intersection of 9.30g Au/t over 9.00 metres was reported to have been discovered on March 21, 2018 at the Hermes South project, located within the Byrah Basin joint venture

The Company's interest in the Bryah Basin joint venture is an earn-in option which, upon completion of required expenditures of AUD$1.2 million by April 2018, entitled Superior Gold to an interest of up to 80% in the joint venture. The Company completed the AUD$1.2 million earn-in expenditure requirement as of March 31, 2018. As part of the work at Hermes South, which is included in the Bryah Basin joint venture, the Company released results of a new intersection. The results returned 9.3 g/t over 9m from 136.2 metres downhole.

Oxide Material

The Company undertook negotiations and finalized an agreement in July of 2017, to acquire stockpiled oxide material from Sandfire Resources NL's (ASX:SFR – "Sandfire") DeGrussa Copper Mine. The material ("Sandfire Material") was stockpiled approximately 30 kilometres south of the Plutonic Gold Mine. The Company paid Sandfire $7.80 (AUD$10) per tonne of material removed from the DeGrussa Mine. In the three months ended March 31, 2018, the Company has processed approximately 20,767 tonnes of Sandfire Material containing approximately 474 ounces of gold and has completed processing the material under the agreement.

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:

- Increasing annual gold production at its Plutonic and Hermes operations to approximately 100,000 ounces
- Resource and reserve additions through increased drill activity in 2018
- Increase annual gold production to more than 100,000 ounces to "Fill the Mill at the best possible grade" at its existing Plutonic Gold Operations site

With the proceeds raised upon the completion of the initial public offering, the cash generated from the Plutonic Gold Mine and the recent completion of the Hermes project, the Company has the liquidity available to execute on its near-term growth and exploration strategy. This will enable the Company to execute on its medium to long-term goals of:

- Further exploration and development at the Plutonic Gold Operations
- Acquisition of precious metals properties in established low risk jurisdictions

Summary of Quarterly Operational Results

	Three month period ended March 31, 2018	Three month period ended March 31, 2017
Stope material mined (000's t)	152	155
Stope grade mined (g/t)	2.61	4.15
Development ore mined (000's t)	55	45
Development grade mined (g/t)	1.58	2.77
Hermes ore mined (000's t)	157	-
Hermes grade mined (g/t)	1.58	-
Hermes waste mined (000's t)	2,518	-
Strip Ratio (t:t)	16.0	-
Underground ore milled (000's t)	210	198
Underground grade milled (g/t)	2.33	3.83
Hermes ore milled (000's t)	101	-
Hermes grade milled (g/t)	1.81	-
Other ore milled (000's t)	33	134
Other ore grade milled (g/t)	0.62	0.49
Total ore milled (000's t)	344	332
Grade milled (g/t)	2.0	2.5
Gold recovery (%)	86	78
Gold produced (oz)	19,232	20,769
Gold sold (oz) (2)	18,940	21,801
Gold sold (excluding Hermes)	13,972	21,801
Total cash costs ($/oz) (1) (2)	1,256	799
All-in sustaining costs ($/oz) (1) (2)	1,421	920
Realized gold price ($/oz) (1)	1,331	1,219

(1) Refer to the Non-IFRS Performance Measures disclosure included in this MD&A for a description and calculation of these measures.
(2) For the three months ended March 31, 2018 excludes 4,968 ounces sold from Hermes pre-commercial production.

The Plutonic Gold Operations produced 19,232 ounces of gold in the three month period ending March 31, 2018 compared to 20,769 ounces of gold in three month period ending March 31, 2017 as a result of lower head grade milled, partially offset by higher tonnes milled and higher recoveries. Total underground material milled increased by 6% to 210 ktonnes and total material milled increased marginally by 3% to 344 ktonnes as ore was available from the ramp-up of the Hermes project in the three months ended March 31, 2018 which effectively replaced the contribution of low grade stockpile material in the three months ended March 31, 2017. Head grade decreased as a result of lower grade areas of the underground operation being mined and milled during the three months ended March 31, 2018, offset in part by Hermes ore that had higher a grade than the low grade stockpile material milled in the three months ended March 31, 2017. Recovery rates rose from 78% to 86% due to operational improvements, a decrease in the proportion of milled tonnages from areas that typically have lower recoveries and the addition of higher recovery ore from Hermes.

Gold sold decreased by 7,829 ounces during the three months ended March 31, 2018 to 13,972 ounces in comparison to the three months ended March 31, 2017 due to mining and processing lower grade underground ore that was outside of plan and the reduced contribution from low grade stockpile material. The lower grade ore mined was a result of mining extensions to the current plan where grades were lower but above cutoff and rescheduling in the quarter allowed the Company to access this ore to minimize sterilization of the mineralization available. The variance in ounces sold was also due to higher sales from finished goods inventory in the first quarter of 2017.

Total cash costs[12] were $1,256/ounce sold for the three months ended March 31, 2018, an increase from $799/ounce from the three months ended March 31, 2017 due largely to lower sales volumes from reduced mining grades outlined above and higher costs of sales, excluding depreciation (refer to the discussion of Cost of Sales included in this MD&A), partially offset by non-cash inventory movements. All-in sustaining costs[12] increased from $920/ounce sold to $1,421/ounce sold due to higher total cash costs per ounce and higher corporate general and administration expenses resulting from the finalization of senior management's 2017 short-term incentive compensation review and higher consulting costs primarily due to administrative projects completed in the quarter.

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 subsequent quarters.

	Three month period ended March 31, 2018	Three month period ended December 31, 2017	Three month period ended September 30, 2017
Revenue	$ 18,633	$ 25,587	$ 26,662
Cost of sales	20,410	24,682	23,294
General and administrative	1,542	1,246	857
Operating Income (loss)	(3,319)	(341)	2,511
Income (loss) before taxes [1]	(8,515)	(955)	3,077
Net income (loss) [1]	(5,575)	(2,315)	2,328
Earnings (loss) per share			
–basic and diluted [1]	(0.06)	(0.02)	0.02
Adjusted net income (loss) [2]	(2,172)	(2,136)	2,202
Adjusted net income (loss) per share – basic [2]	(0.02)	(0.02)	0.02
Cash flow from (used in) operations	(1,599)	2,588	8,843
	As at March 31, 2018	**As at December 31, 2017**	**As at September 30, 2017**
Cash and cash equivalents	23,866	29,121	35,128
Non-current assets	73,525	63,853	55,573
Total assets	113,158	107,240	104,030
Current liabilities [1]	26,141	19,602	18,786
Non-current liabilities [1]	37,789	32,367	27,694

	Three month period ended June 30, 2017	Three month period ended March 31, 2017	Three month period ended December 31, 2016	Period from incorporation on July 4, 2016 to September 30, 2016
Revenue	**$ 24,324**	**$ 26,642**	$ 24,750	$ -
Cost of sales	**23,597**	**22,097**	19,727	-
General and administrative	**948**	**828**	610	131
Operating Income (loss)	**(221)**	**3,717**	4,413	(131)
Income (loss) before taxes	**140**	**(3,899)**	4,086	(531)
Net income (loss)	**(82)**	**(3,013)**	3,805	(531)
Earnings (loss) per share				
–basic and diluted	**(0.00)**	**(0.05)**	0.10	(0.05)
Adjusted net income (loss) [1]	**(213)**	**2,109**	2,854	N/A
Adjusted net income (loss) per share – basic [1]	**(0.00)**	**0.03**	0.11	N/A
Cash flow from operations	**3,424**	**7,394**	8,465	198
	As at June 30, 2017	**As at March 31, 2017**	**As at December 31, 2016**	**As at September 30, 2016**
Cash and cash equivalents	**28,613**	**25,925**	6,096	216
Non-current assets	**55,768**	**56,100**	56,104	-
Total assets	**98,673**	**97,982**	75,457	13,472
Current liabilities	**15,423**	**16,386**	34,253	765
Non-current liabilities	**28,649**	**27,550**	27,130	-

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

Operating Income (loss)

Operating loss for the three months ended March 31, 2018 was $3,319 compared to income of $3,717 for the three months ended March 31, 2017 due to lower revenue of $8,009 an increase of $714 in General and Administrative costs, partially offset by a decrease in Cost of Sales of $1,687 as outlined below.

Revenues

For the three months ended March 31, 2018, gold revenues totaled $18,602 from the sale of 13,972 ounces of gold, a decrease of $7,983 from $26,585 from the sale of 21,801 ounces of gold for the three months ended March 31, 2017. Lower gold revenues resulted from 7,829 fewer ounces sold during the three months ended March 31, 2018 as a result of the Company focusing on bringing the Hermes project to commercial production as well as a decrease in head grade, partially offset by an increase in recoveries and an increase in the realized gold price[1] to $1,331/ounce from $1,219/ounce. During the three months ended March 31, 2018 the Company capitalized to Mining Interests, $6,648 of proceeds from 4,968 ounces sold at an average price of $1,338/ounce. These proceeds were capitalized as the Company had not declared commercial production on the Hermes project, for reporting purposes.

Cost of Sales

	Three months ended March 31, 2018	Three months ended March 31, 2017
Mining	$ 11,240	$ 10,179
Processing	3,834	5,122
Depreciation and amortization	2,190	4,860
Site services	1,114	1,188
Exploration	399	160
Gold royalty	606	668
Change in inventories	1,027	(80)
	$ 20,410	**$ 22,097**

Cost of Sales were $20,410 for the three months ended March 31, 2018, a decrease of $1,687 from $22,097 for the three months ended March 31, 2017. Cost of sales includes mine production costs, processing costs, site services, royalties, depreciation and amortization. Cost of sales were lower in the current period as a result of lower depreciation expense of $2,671 due to an increased number of ounces used in the depletion calculation stemming from the increased number of ounces determined in the updated Mineral Reserve and Mineral Resource report as at December 31, 2017 as well as fewer ounces sold during the current quarter. 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. In addition, the costs of processing the Hermes ore were capitalized for the three months ended March 31, 2018 and this contributed to the $1,288 reduction in Cost of Sales. These reductions were partially offset by the credit for inventory movement decreasing by $1,108 in the three months ended March 31, 2018 due to higher sales from finished goods inventory relative to the three months ended March 31, 2017. Mining costs of $11,240 were $1,061 higher in comparison to the three months ended March 31, 2017 due in part to the increase in tonnes mined.

General and administrative

In comparison to the three months ended March 31, 2017, general and administrative expenses increased by $714 in the three months ended March 31, 2018 due to higher payroll and consulting costs. The increase in payroll costs related to the finalization of senior management's 2017 short-term incentive compensation. Consulting costs increased by $165, primarily due to administrative projects completed in the quarter.

Other Expenses (Income)

Other Expenses for the three months ended March 31, 2018 totaled approximately $5,196 and were comprised mainly of the $4,533 loss associated with the charge recorded for the valuation of the Northern Star Royalty, an indirect result of the increase in the Mineral Reserves and Mineral Resources as at December 31, 2017. Other Expenses for the three months ended March 31, 2017 totaled $7,616 and were comprised mainly of the loss on settlement of the contingent payable of $7,056 to Northern Star Resources (refer to note 18 of the condensed consolidated interim financial statements as at March 31, 2018).

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 loss for the three-month period ended March 31, 2018

The total net loss of $5,575 for the three months ended March 31, 2018 resulted primarily from the Operating loss of $3,319 and the loss on the Northern Star royalty of $4,533 (refer to note 18 of the condensed consolidated interim financial statements as at March 31, 2018) partially offset by an income tax recovery of $2,940. The income tax recovery resulted primarily from the pre-tax Operating loss and the recognition of deferred tax assets associated with the rehabilitation provision due to the updated Mineral Reserves and Mineral Resources. The deferred tax asset associated with the increase in the non-current liability has been recognized as at March 31, 2018 as it is considered probable that future taxable amounts will be available to utilize this temporary difference as a result of the increase in Mineral Reserves and Mineral Resources as at December 31, 2017.

The net loss for the three months ended March 31, 2017 of $3,013 was mainly attributed to the loss on settlement of the Contingent Payable to Northern Star of $7,056 and income tax expense of $886, partially offset by Operating Income of $3,717.

Adjusted net income (loss)

Adjusted net loss for the first quarter of 2018 amounted to $2,172 or $0.02 per share compared to adjusted net income of $2,109 or $0.03 per share in the three months ended March 31, 2017, primarily reflecting lower Operating Income, partially offset by a higher income tax recovery, including the income tax effect on loss adjustments to Net loss (refer to the table in the section labeled 'Adjusted Net Income and Adjusted basic net income per share' of this MD&A). Adjusted net income 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 royalty 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 March 31, 2018

As at March 31, 2018, the Company's current assets totaled $39,633 and current liabilities amounted to $26,141 for a net working capital balance of $13,492. The majority of the current assets pertained to cash and cash equivalents of $23,866. The movement from a working capital balance of $23,785 as at December 31, 2017 was mainly the result of decreases in cash and higher accounts payable balances of $5,255 and $5,063, respectively reflecting development of the Hermes project, a reduction in inventory of $1,242 primarily brought about by lower gold in circuit and an increase of $1,420 in the current portion of the finance lease obligation reflecting leases undertaken in the first quarter of 2018 for heavy equipment. These increases were partially offset by an increase of $2,774 in receivables and other assets reflecting the timing of collection of sales tax receivables.

Non-current assets increased by $9,672 from December 31, 2017. The majority of the increase pertained to capitalized development and exploration and evaluation expenditures of $6,785. Of this amount, $2,712 was spent on finalizing development of the Hermes project (net of amounts received from pre-production gold sales), $2,136 to the ongoing underground operations and $1,938 resulted from increases to the rehabilitation asset due to higher disturbance from Hermes development. Additionally, $5,692 of capital expenditures were incurred during the three months ended March 31, 2018, $4,481 of which was for mobile equipment acquired under finance leases, $566 for a new gravity circuit to improve recoveries, $223 for haul road construction and $162 for betterments to existing equipment. These amounts were partially offset by depreciation expense $2,190 and foreign exchange impacts on non-current asset balances of $1,384.

Current liabilities increased by $6,539 to $26,141 mainly due to increases in accounts payable of $5,063 and an increase of $1,420 in the current portion of finance lease obligations both of which resulted from the increase in non-current assets discussed above.

Non-current liabilities increased by $5,422, of which $4,533 related to a contingent royalty payable to Northern Star Resources as part of the acquisition of the Plutonic Gold operations. The consideration offered to Northern Star in Acquisition Agreement (refer to note 18 of the condensed consolidated interim financial statements for the period ended March 31, 2018) included a royalty which was recorded at a fair value of $nil at the time of the acquisition. This was because the number of ounces of gold to be recovered in the future was unlikely to exceed the 300,000-ounce threshold established in the Acquisition Agreement based on the Mineral Resource and Mineral Reserves estimate completed at that time. As a result of the updated Mineral Resource and Mineral Reserves report completed in the quarter ended March 31, 2018, this royalty will likely become payable as the number of ounces anticipated to be recovered in the future now exceeds the 600,000-ounce cap established in the Acquisition Agreement. The Company has therefore accrued a liability of $4,533 with a corresponding charge to the condensed consolidated interim statement of income based on the present value of the royalty's AUD$6.5 million buyback option (refer to note 18 of the condensed consolidated interim financial statements for the period ended March 31, 2018). Further increases in non-current liabilities resulted from finance lease obligation and the rehabilitation provision due to Hermes development described in the discussion of increases in non-current assets, above. These increases were partially offset by a decrease in the deferred tax liability of $3,559 due to the pre-tax loss in the quarter and recognition of the deferred tax asset associated with the rehabilitation provision of Hermes, as outlined in the discussion of the Net Loss for the three-month ended March 31, 2018 section of this MD&A.

Share capital consisted of capital stock, net of issue costs, of $49,220. No shares have been issued between December 31, 2017 and March 31, 2018.

Cash from Operating Activities

During the three months ended March 31, 2018 cash used in operating activities was $1,599, a decrease from cash generated of $7,394 for the three months ended March 31, 2017. This decrease resulted from lower Operating Income, excluding depreciation expense, partially offset by a $598 lower change in non-cash working capital changes as compared to the three months ended March 31, 2017.

Cash used in Investing Activities

Cash used in investing activities in the three months ended March 31, 2018 primarily comprised expenditures on mine interests, property, plant and equipment of $2,746 primarily in support of Hermes and underground mine development. This represents an increase of capital expenditures of $1,027 compared to the three months ended March 31, 2017. Cash used in investing was also lower as the $7,633 outflow incurred in the first quarter of 2017 was made as part of the acquisition of the Plutonic Gold operations.

Cash from Financing Activities

Cash used in financing activities in the three months ended March 31, 2018 comprised the repayment of the Company's short-term loan, finance lease obligation and interest thereon of $529, representing a decrease in cash from financing activities of $21,656 in the three months ended March 31, 2017. The decrease was due to the issuance of common shares under the Company's initial public offering and acquisition of Plutonic Gold operations of $24,916, less share issuance costs of $1,875.

Liquidity and Capital Resources

During the three months ended March 31, 2018, the Company used cash balances and cash inflows from the Plutonic Gold Operations to fund its expenditures on mineral interests, including Hermes development, and property, plant and equipment, and pay down its finance lease obligation.

During the three months ended March 31, 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 18 of the consolidated financial statements as at December 31, 2017). 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 March 31, 2017.

The Company 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 March 31, 2018, Superior Gold has a working capital balance of $13,492. As at December 31, 2017 the Company had a working capital balance of approximately $23,785. The variance of $10,293 resulted from decreases in cash balances and increases in accounts payable balances in order to invest in the Company's Hermes and Underground assets.

Management believes the cash on hand and subsequent 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

(i) Capital commitments

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

	March 31, 2018	December 31, 2017
Property, plant and equipment	$ 2,313	$ 1,548
Mine development	-	1,612
	$ 2,313	**$ 3,160**

In the three months ended March 31, 2018, the Company entered into a commitment for mobile equipment as well as the remaining commitment for the installation of a gravity circuit to improve recovery. These commitments totalled $2,313 at March 31, 2018.

(ii) Non-cancellable operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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:

	March 31, 2018
Within one year	$ 1,657
Later than one but not later than five years	2,229
	$ 3,886

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:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Management compensation	$ 568	$ 151
Directors' fees	34	24
Share-based payments	192	94
	$ 794	**$ 269**

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 18) 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 18). As at March 31, 2018 and December 31, 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 three months ended March 31, 2018, the Company paid Northern Star $29 related to the finance lease obligation (February 23, 2017 to March 31, 2017 - $177). The Company assumed the lease from Northern Star upon acquisition of the Plutonic Gold Operations. The amount owing to Northern Star at March 31, 2018 is $4,533, representing the non-current contingent royalty (note 18) (December 31, 2017 - $29). In the three months ended March 31, 2018, the Company received no amounts from Northern Star (March 31, 2017 - $nil) and there are no amounts receivable at March 31, 2018.

Critical Accounting Policies and the Use of Estimates

A detailed summary of the Company's significant accounting policies, including the use of estimates, is included in the Company's audited consolidated financial statements for the year ended December 31, 2017. 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 year ended December 31, 2017.

The accounting policies and management estimates applied in the condensed consolidated interim financial statements for the three months ended March 31, 2018 are consistent with those used in the Company's consolidated financial statements for the year ended December 31, 2017, except for IFRS 15 and IFRS 9 (refer to the section on 'Adoption of New or Amended Accounting Policies' below for a discussion of the impact of these accounting standards).

Financial Instruments

The Company's significant accounting policies regarding its financial instruments are set out in the Company's audited consolidated financial statements for the year ended December 31, 2017, except as noted below in the section labelled 'Adoption of New or Amended Accounting Policies'. The Company is of the opinion that it is not exposed to significant interest, currency or credit risks arising from outstanding financial instruments.

Adoption of New or Amended Accounting Policies

The following accounting standard is effective and implemented as of January 1, 2018 (refer to notes 3 and 5 of the March 31, 2018 condensed consolidated interim financial statements):

IFRS 9 Financial Instruments: Classification and Measurement

On July 24, 2014, the IASB issued the completed IFRS 9, Financial Instruments, (IFRS 9 (2014)) to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its Consolidated Financial Statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at fair value through profit or loss are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

i) It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
ii) Its contractual terms give rise to cash flows that are solely payments of principal and interest.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Asset of liability	**Original classification under IAS 39**	**New classification under IFRS 9**
Cash and cash equivalents	FVTPL	FVTPL
Restricted cash	FVTPL	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liability	Amortized cost
Short-term loan	Other financial liability	Amortized cost
Finance lease obligation	Other financial liability	Amortized cost
Contingent Royalty payable	N/A	Fair value
Warrant liability	FVPTL	FVPTL

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from contracts with customers has replaced 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 has adopted IFRS 15 in its consolidated financial statements using the full retrospective approach without practical expedients on January 1, 2018. Accordingly, information for 2017 has not been restated. The details of accounting policy changes and the quantitative impact of these changes are described below.

IFRS 15 requires that revenue from contracts with customers be recognized upon the transfer of control over goods or services to the customer. The recognition of revenue upon transfer of control to the customer is consistent with our revenue recognition policy as set out in Note 2(o) of the 2017 consolidated financial statements, as the condition is generally satisfied when title transfers to the customer. As such, upon adoption, this requirement under IFRS 15 resulted in no impact to the financial statements as the timing of revenue recognition on gold sales is unchanged and is presented as previously reported under IAS18, IAS11 and related interpretations. Additional disclosure has been presented in note 5 as a result of adopting IFRS 15.

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. The Company has adopted the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The Company evaluated the impact of applying IFRIC 22 and concluded that the adoption of the standard did not have a material impact on the consolidated financial statements.

Recent Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of the Company's condensed consolidated interim 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 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 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 May 14, 2018, the date of this MD&A and March 31, 2018:

	Exercise price	Expiry date	Quantity
Number of common shares issued			
Common shares	Not applicable	Not applicable	95,752,473
Number of common shares issuable			
Stock options	$0.80	February 23, 2022	5,650,000
Stock options	$0.80	July 5, 2022	300,000
Stock options	$0.80	September 5, 2022	200,000
Stock options	$0.80	November 3, 2022	150,000
Stock options	$0.80	December 15, 2022	200,000
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
			118,593,519

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:

(in thousands of dollars, except oz or per oz amounts)	**Three months ended March 31, 2018**	**Three months ended March 31, 2017**
Gold sold (oz)	13,972	21,801
Cost of Sales	20,410	22,097
Adjustments for:		
Depreciation and amortization	(2,190)	(4,860)
Share-based payments included in Cost of Sales	(91)	(45)
Non-cash inventory movements	(549)	274
Silver credits	(31)	(56)
Cash costs	17,549	17,410
Total cash costs (per gold oz)	1,256	799
Adjustments for items affecting all-in sustaining cash costs:		
Sustaining capital expenditure	558	1,537
Share-based payments included in Cost of Sales	91	45
Corporate, general and administration[1]	1,542	828
Rehabilitation accretion	117	235
All-in sustaining cost	19,857	20,055
All-in sustaining cost (per gold oz)	1,421	920

1. Corporate, general and administration costs include share-based compensation, as per the Consolidated 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:

(in thousands of dollars, except oz or per oz amounts)	**Three months ended March 31, 2018**	**Twelve months ended March 31, 2017**
Metal sales	$18,633	$ 26,642
Silver sales	(31)	(56)
Revenues from gold sales	18,602	26,586
Gold sold (oz)	13,972	21,801
Realized gold price ($/oz)	$1,331	$1,219

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 March 31, 2018	Three month period ended March 30, 2017
Net income (loss) for the period	($5,575)	($3,013)
Adjusted for:		
Loss on settlement of contingent payable to Northern Star	4,533	7,056
Change in valuation of the warrant liability (1)	230	314
Business acquisition costs (recovery)	-	(188)
Effect on income taxes of the above items	(1,360)	(2,060)
Adjusted net income (loss)	($2,172)	$2,109
Weighted average number of common shares outstanding - basic	95,669,140	64,438,715
Adjusted basic net income (loss) per share	(0.02)	0.03

1. 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. If any of such risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose a significant proportion of any investment in the Company. To properly understand such risks, readers are directed to the Company's Final Long Form Prospectus dated February 15, 2017 under the heading "Risk Factors". The Final Long Form Prospectus is available on SEDAR (www.sedar.com).

Forward-looking information

This MD&A contains forward-looking information, within the meaning of applicable Canadian securities legislation, and forward looking statements, within the meaning of applicable United States securities legislation (collectively, "forward-looking information"), which reflects management's expectations regarding the Company's future growth, results from operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects and opportunities. Wherever possible, words such as "predicts", "projects", "targets", "plans", "expects", "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative or grammatical variation thereof or other variations thereof, or comparable terminology have been used to identify forward-looking information. Such forward-looking information includes, without limitation, statements with respect to mineral reserve and mineral resource estimates; targeting additional mineral resources and expansion of deposits; the Company's dependency on the Plutonic Gold Operations for operating revenue and cash flows in the near term; the Company's ability to extend the life of the Plutonic Gold Operations; the capital and operating cost estimates and the economic analyses from the Company's most recently filed Technical Report (Amended), Plutonic Gold Mine mineral resources and mineral reserves" dated **February 13, 2017** ("Technical Report"); the Company's expectations, strategies and plans for the Plutonic Gold Operations, including the Company's planned exploration, development and production activities at the Plutonic Gold Mine, Hermes and Bryah Basin; the results of future exploration and drilling at the Plutonic Gold Mine's Timor Extension; satisfying the minimum amounts required for the Company to maintain its interest in the Bryah Basin joint venture; successfully adding or upgrading resources and successfully developing new deposits; future financial or operating performance and condition of the Company and its business, operations and properties; the Company's ability to adequately account for potential mine closure and remediation costs; the Company's adoption of and expectations regarding new accounting standards and interpretations, including the introduction of IFRS 9, IFRS 15, and IFRS 16; and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements.

Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management, in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, as of the date of this MD&A including, without limitation, assumptions about: favourable equity and debt capital markets; the ability to raise any necessary additional capital on reasonable terms to advance the development of the Plutonic Gold Operations and pursue planned exploration; future prices of gold; the timing and results of exploration and drilling programs; the accuracy of mineral reserve and mineral resource estimates; the geology and geophysical data of the Plutonic Gold Operations being as described in the Technical Report; production costs; the accuracy of budgeted exploration and development costs and expenditures; the price of other commodities such as fuel; future currency exchange rates and interest rates; operating conditions being favourable, including whereby the Company is able to operate in a safe, efficient and effective manner; political and regulatory stability; the receipt of governmental and third party approvals and Permits on favourable terms; obtaining required renewals for existing approvals and Permits and obtaining all other required approvals and Permits on favourable terms; sustained labour stability; stability in capital goods markets; and the availability of equipment. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks, uncertainties, contingencies and other factors that could cause actual actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors (as referenced elsewhere in this MD&A) which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information.

Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information contained herein. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

In addition, please note that statements relating to “mineral reserves” or “mineral resources” are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions that the mineral reserves and mineral resources described can be profitably mined in the future.

Forward-looking information contained herein is made as of the date of this MD&A and the Company disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or results or otherwise, except as and to the extent required by applicable securities laws.

Technical Information

Scientific and technical information in this news release has been reviewed and approved by Pascal Blampain, who is a member of the AusIMM and the Australian Institute of Geoscientists (AIG) and a "qualified person" within the meaning of NI 43-101. Mr. Blampain is an employee of the Company and serves as Chief Geologist.

Additional Information

Additional information regarding the Company can be found at www.sedar.com and www.superior-gold.com. A copy of Superior Gold’s long form prospectus dated February 15, 2017 is available at www.sedar.com.