

Superior Gold Inc. Announces Second Quarter 2018 Financial and Operating Results

RECORD QUARTERLY PRODUCTION – ANNUALIZED RATE OF MORE THAN 100,000 OUNCES

ALL-IN SUSTAINING COSTS DECREASED 23% (>\$300 PER OUNCE) RELATIVE TO PRIOR QUARTER

(In US Dollars unless otherwise stated)

TORONTO, Aug. 21, 2018 /CNW/ - **Superior Gold Inc.** ("Superior Gold" or the "Company") (TSXV:SGI) announced today its financial and operating results for the quarter ended June 30, 2018. This release should be read in conjunction with the Company's Management Discussion and Analysis (MD&A) and condensed consolidated interim financial statements for the quarter ended June 30, 2018. These documents will be posted on the Company's website at www.superior-gold.com and SEDAR at www.sedar.com.

Second Quarter Highlights:

- Record quarterly production of 25,608 ounces of gold, an increase of 46% for the same period in 2017
- Highest quarterly gold recoveries averaging 90%, an increase from 76% for the same period in 2017
- Sold 25,797 ounces of gold at a total cash cost¹ of \$1,013 per ounce sold, all-in sustaining costs¹ of \$1,098 per ounce sold and average realized gold price¹ of \$1,303 per ounce sold
- All-in sustaining costs¹ decreased 23% or more than \$300 per ounce relative to the prior quarter
- Cash flow from operating activities of \$5.0 million, including a \$2.1 million stamp duty payment stemming from the acquisition
- Construction of the gravity circuit largely completed by the end of June, with commissioning on July 9, 2018

Chris Bradbrook, President and CEO of Superior Gold stated: "We are pleased to provide results for the second quarter of 2018 and to highlight a number of key achievements. We reached record production at the Plutonic Gold operations, since their acquisition in October 2016. Production during the quarter also represented a material increase relative to the first quarter of 2018 as underground mining activities returned to higher grade zones and ramp up of production continued to progress well at the Hermes gold mine. Consequently, costs also decreased significantly relative to the prior quarter, resulting in a strong \$5.0 million of cash flow from operating activities. Significantly, monthly production increased and costs decreased through the quarter.

Recoveries have increased steadily since taking ownership of the Plutonic Gold operations from 76% in the second quarter of 2017 to an average of 90% in the second quarter of 2018. The construction of the gravity circuit, which required a modest capital investment of \$1.7 million, was completed shortly after the second quarter.

We benefited this quarter from three full months of commercial production at Hermes which we built on schedule and under budget. It is important to note that we built the Hermes mine from internally generated funds. The increase in production from Hermes is expected to help the Company to achieve its growth plans for 2018 and beyond as we target sustainable production of more than 100,000 ounces of gold. Our cash balance decreased relative to the end of the prior quarter primarily due to a number of one time expenditures, which included \$5.3 million for costs associated with the development of Hermes incurred in the first quarter, \$2.1 million stamp duty payment stemming from the acquisition of the Plutonic Gold Operations and \$0.8 million towards the installation of the gravity circuit. With most of the planned capital expenditures now behind us this year, we remain focused on free cash flow generation and building a progressively stronger balance sheet.

Looking ahead, with the mill consistently running at full capacity, we continue to move forward with our strategy of "fill the mill at the best possible grade" as running higher grade ore through the mill will allow us to increase production levels beyond 100,000 ounces and decrease costs.

At the Plutonic Gold mine, we continue to utilize three underground diamond drills. Two are focused primarily on grade control drilling, while the third drill is focused exclusively on expanding reserves and resources. We continue to announce very encouraging underground drill results. At Hermes, we are commencing the second stage drill program at the Hermes South deposit, where initial drilling outlined significant new mineralization. We aim to provide an updated reserve and resource statement in the first quarter of 2019 using drill results to the end of 2018."

Summary of Financial and Operational Results:

	Three months ended June 30, 2018	Three months ended June 30, 2017
All amounts in \$ thousands except where noted		
Financial		
Revenue	33,631	24,324
Cost of sales	30,501	23,521
General and administrative	1,080	948
Operating income (loss)	1,565	(221)
Income (loss) before taxes ¹	1,282	140
Net income (loss) ¹	737	(82)
Earnings (loss) per share – basic and diluted ¹	0.01	(0.00)
Adjusted net income (loss) ¹	654	(213)
Adjusted net income (loss) per share – basic and diluted ¹	0.01	(0.00)
Cash from (used in) operations	4,959	3,424
Cash, cash equivalents and restricted cash	21,904	30,344
Weighted number of common shares o/s – basic	95,737	95,669
Operational		
Gold produced (ounces)	25,608	17,556
Gold sold (ounces) ¹	25,797	19,353
Realized price (\$/ounce) ¹	1,303	1,254
Total cash costs (\$/ounce) ¹	1,013	966
All-in sustaining costs (\$/ounce) ¹	1,098	1,078
Total ore milled (000's tonnes)	389	309
Grade milled (g/t)	2.3	2.3
Gold recovery (%)	90	76

Plutonic Gold Operations

The Plutonic Gold mine produced and sold 25,608 and 25,797 ounces of gold, respectively for the second quarter of 2018. Total cash costs¹ of \$1,013/ounce and all-in sustaining costs¹ of \$1,098/ounce were below the realized gold price¹ of \$1,303/ounce for the quarter. In comparison, 17,556 and 19,353 ounces of gold were produced and sold, respectively for the second quarter of 2017, while total cash costs¹ and all-in sustaining costs¹ of \$966/ounce sold and \$1,078/ounce sold were below the realized gold price¹ of \$1,254/ounce for the second quarter of 2017. Total cash costs¹ and all-in sustaining cash costs¹ increased slightly over the prior year primarily reflecting lower grades in the underground operations in April 2018 which resulted in fewer ounces being produced. These cost per ounce increases were offset by a full quarter of production from the Hermes open pit as a result of commercial production being reported effective April 1, 2018 and the higher realized gold price in the second quarter of 2018 as compared to the second quarter of 2017. On a 'per ounce' basis all adjustments to total cash costs, which derived the all-in

sustaining cost figure, were lower than the comparative period due to the increase in ounces sold. The Company generated net cash from operations after working capital changes of \$5.0 million for second quarter of 2018 after a \$2.1 million stamp duty payment stemming from the acquisition.

Gold sold increased by 6,444 ounces relative to the second quarter of 2017 as a result of achieving record quarterly production of 25,797 ounces primarily due to the addition of the Hermes open pit.

Exploration Activities

During the second quarter, the Company's ongoing underground diamond drilling program focused on six zones at its wholly-owned Plutonic Gold mine: Caribbean, Caspian, Cortez, Indian, Pacific and Timor. A number of significant intersections were encountered. Results were released for 169 drill holes for a total of more than 12,600 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.

Significant intersections included:

- 89.4 g Au/t over 4.6 metres
- 29.0 g Au/t over 3.2 metres
- 12.3 g Au/t over 5.7 metres
- 33.7 g Au/t over 2.0 metres
- True widths are estimated to be approximately 70% of the reported drill intercept length

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 provided the required notice of completion during the second quarter of 2018. As part of the work at Hermes South, which is included in the Bryah Basin joint venture, the Company released results of its initial reverse circulation drilling program. The goal of the program was to expand the existing resource and explore for additional zones of mineralization.

Significant results included:

- 142.0 g Au/t over 4.0 metres from 56.0 metres downhole
- 37.7 g Au/t over 3.0 metres from 27.0 metres downhole
- 13.5 g Au/t over 4.0 metres from 50.0 metres downhole
- 6.4 g Au/t over 12.0 metres from 62.0 metres downhole
- 11.8 g Au/t over 3.0 metres from 62.0 metres downhole
- All intersections were outside of the existing resource

Outlook and Strategy

The Company is focused 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 the Plutonic and Hermes operations
- Resource and reserve additions through increased drill activity in 2018
- The "fill the mill at the best possible grade" strategy at the existing Plutonic Gold operations site

With the Company's cash position, ongoing 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

Conference Call

Management will host a conference call and webcast on Tuesday August 21, 2018 at 10:00AM ET to discuss the second quarter 2018 financial and operating results.

Conference Call and Webcast

Date: Tuesday August 21, 2018 10:00AM ET
 Toll-free North America: (888) 231-8191
 Local or International: (647) 427-7450
 Webcast: <https://event.on24.com/wcc/r/1781291/6E0FC4A26C5A747D1557FB88872A8778>

Conference Call Replay

Toll-free North America: (855) 859-2056
 Local or International: (416) 849-0833
 Passcode: 8074317

The conference call replay will be available from 1:00PM ET on August 21, 2018 until 23:59PM ET on September 3, 2018.

The presentation will be available on the Company's website at www.superior-gold.com.

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- (1) Refer to Non-IFRS Performance Measures section of the Company's MD&A for a description and calculation of these measures.

Qualified Person

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.

About Superior Gold

Superior Gold is a Canadian based gold producer that owns 100% of the Plutonic Gold operations located in Western Australia. The Plutonic Gold operations include the Plutonic underground gold mine and central mill, the Hermes open pit gold mine and an interest in the Bryah Basin joint venture. Superior Gold is focused on expanding production at the Plutonic Gold operations and building an intermediate gold producer with superior returns for shareholders.

Forward Looking Information

This press release contains "forward-looking information" within the meaning of applicable securities laws that is intended to be covered by the safe harbours created by those laws. "Forward-looking information" includes statements that use forward-looking terminology such as "may", "will", "expect", "anticipate", "believe", "continue", "potential" or the negative thereof or other variations thereof or comparable terminology. Forward looking information in this news release includes, but is not limited to, the Company's objectives, goals or future plans, and statements regarding exploration results and exploration plans.

Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management at the date the statements are made. Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information. See "Risk Factors" in the Company's prospectus dated February 15, 2017 filed on SEDAR at www.sedar.com for a discussion of these risks.

The Company cautions that there can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, investors should not place undue reliance on forward-looking information. Except as required by law, the Company does not assume any obligation to release publicly any revisions to forward-looking information contained in this press release to reflect events or circumstances after the date hereof.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Exchange) accepts responsibility for the adequacy or accuracy of this release.

SOURCE Superior Gold

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<http://superiorgold.mediaroom.com/2018-08-21-Superior-Gold-Inc-Announces-Second-Quarter-2018-Financial-and-Operating-Results>