

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

A QUARTER OF KEY MILESTONES

REITERATING 2018 GUIDANCE

(In US Dollars unless otherwise stated)

TORONTO, May 15, 2018 /CNW/ - **Superior Gold Inc.** ("Superior Gold" or the "Company") (TSX.V:SGI) announced today its financial and operating results for the quarter ended March 31, 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 March 31, 2018. These documents will be posted on the Company's website at www.superior-gold.com and SEDAR at www.sedar.com.

First Quarter Highlights:

- Produced 19,232 ounces of gold, including 5,054 of pre-commercial production ounces from Hermes
- Sold a total of 18,940 ounces of gold. This included 13,972 ounces of gold from the Plutonic mine, at a total cash cost¹ of \$1,256 per ounce, all-in sustaining cost¹ of \$1,421 per ounce and average realized gold price¹ of \$1,331 per ounce
- An additional 4,968 ounces of gold were sold from Hermes during its pre-commercial production period
- Declared commercial production at Hermes and achieved "Fill The Mill" strategy ahead of schedule
- Reported substantial growth in Mineral Reserves and Mineral Resources (as at December 31, 2017)

Chris Bradbrook, President and CEO of Superior Gold stated: "We are pleased to provide results for the first quarter of 2018 and to highlight a number of key achievements accomplished during the quarter. The ramp up of quarterly production towards annual guidance proceeded as expected, with the first quarter anticipated to be the weakest of the year. Underground production levels and costs were disappointing, although the result of the decision to mine lower grade material to ensure that none of the better grade mineralization was sterilized. We anticipate the grade in the second quarter to improve in accordance with the mine plan. The Company is maintaining its 2018 production guidance at 100,000 to 110,000 ounces of gold with this growth being internally funded.

Recoveries continued to increase, averaging 86% for the quarter (compared to 78% in the first quarter of 2017 and 84% in the fourth quarter of 2017), with a further increase after quarter end, averaging 90% for the second quarter to date. It is important to note that this increase in recoveries was achieved without the anticipated benefit from the gravity circuit which is being constructed during the first six months of 2018.

Commercial production at the Hermes gold mine was declared, on schedule, by quarter end. Initial production from the mine averaged below reserve grade as lower grade, near-surface ore was extracted first. Hermes waste mined included completion of the pre-strip.

The "Fill The Mill" strategy was achieved ahead of schedule as the mill throughput averaged approximately 5,000 tonnes per day by quarter end. This throughput was maintained subsequently throughout April and was achieved by processing material from Hermes below reserve grade, but above the cut-off grade of 0.6 g Au/t. This strategy has now been updated to "Fill The Mill At The Best Possible Grade".

In April, we provided updated mineral reserve and mineral resource estimates as at December 31, 2017. The underground mineral reserves at the Plutonic mine more than tripled to 276,000 ounces grading 5.97 g Au/t (from 4.60 g Au/t). The total mineral reserves across all projects doubled to 382,000 ounces. Total measured and indicated resources increased approximately 30% to 1.14 million ounces, while total inferred resources increased more than 35% to 1.09 million ounces. We are currently working towards incorporating this higher grade material into the Plutonic mine's schedule and will provide updates as available."

Summary of Financial and Operational Results:

	Three months ended March 31, 2018	Three months ended March 31, 2017
<u>All amounts in \$ millions except where noted</u>		
Financial		
Revenue	18.6	26.6
Cost of sales	20.4	22.1
General and administrative	1.5	0.8
Operating income (loss)	(3.3)	3.7
Income (loss) before taxes ³	(8.5)	(3.9)
Net income (loss) ³	(5.6)	(3.0)
Earnings (loss) per share		
–basic and diluted ³	(0.06)	(0.05)
Adjusted net income (loss) ¹	(2.2)	2.1
Adjusted net income (loss) per share – basic ¹	(0.02)	0.03
Cash from (used in) operations	(1.6)	7.4
Cash, cash equivalents and restricted cash ⁴	25.6	27.8
Weighted number of common shares o/s	95,669,140	64,438,715
Operational		
Gold produced (ounces)	19,232	20,769
Gold sold (ounces) ²	18,940	21,801
Gold sold (excluding Hermes) ²	13,972	21,801
Average realized price (\$/ounce) ¹	1,331	1,219
Total cash costs (\$/ounce) ^{1 2}	1,256	799
All-in sustaining costs (\$/ounce) ^{1 2}	1,421	920
Total underground material mined (000's tonnes)	208	201
Total material milled (000's tonnes)	344	332
Grade Milled (g/t)	2.0	2.5
Gold Recovery (%)	86	78

Plutonic Gold Operations

The Plutonic Gold operations produced 19,232 ounces of gold in the first quarter of 2018 compared to 20,769 ounces of gold in the first quarter of 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 210,000 tonnes and total material milled increased marginally by 3% to 344,000 tonnes as ore was available from the ramp-

up of the Hermes project in the first quarter of 2018 which effectively replaced the contribution of low grade stockpile material in the first quarter of 2017. Head grade decreased as a result of lower grade areas of the underground operation being mined and milled during the quarter, offset in part by Hermes ore that had a higher grade than the low grade stockpile material milled in the first quarter of 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 first quarter of 2018 to 13,972 ounces in comparison to the first quarter of 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^{1 2} were \$1,256 per ounce sold for the quarter, an increase from \$799 per ounce compared to the first quarter of 2017, due largely to lower sales volumes from reduced mining grades outlined above and higher costs of sales, excluding depreciation, partially offset by non-cash inventory movements. All-in sustaining costs^{1 2} increased from \$920 per ounce sold to \$1,421 per 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.

Development Activities

In October 2017, pre-stripping operations were initiated at Hermes' Trapper pit. Initial processing of mineralization commenced on schedule in late December 2017. In March 2018, the Company declared commercial production at Hermes, with the 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 first quarter of 2018, Hermes produced 5,054 ounces of gold.

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 >5 g Au/t
- 103 intersections encountered more than >10 g Au/t
- 30 intersections encountered more than >20 g Au/t
- 7 intersections encountered more than >50 g Au/t

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, entitles Superior Gold to an interest of up to 80% in the joint venture. The Hermes South project is included in the Bryah Basin joint venture, and as part of the new corporate mineral reserve and mineral resource estimate the Company announced an initial inferred mineral resource estimate of 1.29 million tonnes @ 1.54 g Au/t for 64,000 ounces (100% basis). A new intersection was identified at Hermes South during the quarter grading 9.3 g Au/t over 9.00 metres from 136.2 metres downhole, which is outside of the existing mineral resource estimate.

Outlook and Strategy

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
- Increasing annual gold production of more than 100,000 ounces to "Fill The Mill At The Best Possible Grade" at its existing Plutonic Gold operations

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 mine, 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

- (1) This is a Non-IFRS measure. Refer to Non-IFRS Performance Measures section of the Company's MD&A for a description and calculation of these measures.
- (2) For three months ended March 31, 2018 excludes 4,968 ounces sold from Hermes pre-commercial production.
- (3) Restated for adjustments to purchase price allocation of the Plutonic Gold operations acquisition. Refer to note 18 of the Company's consolidated Financial Statements for the period ended December 31, 2017.
- (4) Decrease in cash primarily due to Hermes capital exceeding pre-production revenue by \$1.8 million and All in sustaining costs being above the realized gold price.

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 underground Plutonic Gold mine, which is a

producing underground operation with a 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/2018-05-15-Superior-Gold-Inc-Announces-First-Quarter-2018-Financial-and-Operating-Results>