

Superior Gold Inc. Announces First Quarter 2017 Financial and Operating Results

\$5.7 MILLION OF FREE CASH GENERATED IN THE QUARTER, \$12.8 MILLION IN FIRST SIX MONTHS OF OPERATION

(In US Dollars unless otherwise stated)

TORONTO, May 25, 2017 /CNW/ - **Superior Gold Inc.** ("Superior Gold" or the "Company") (TSX.V:SGI) announced today its financial and operating results for the three months ended March 31, 2017. This release should be read in conjunction with the Company's Management Discussion and Analysis (MD&A) and unaudited condensed consolidated interim financial statements for the three months ended March 31, 2017. These documents will be posted on the Company's website at www.superior-gold.com and SEDAR at www.sedar.com.

Operational Highlights:

- Produced 20,769 ounces of gold
- Sold 21,801 ounces of gold at an average realized price of \$1,219 per ounce
- Total cash costs¹ were \$799 per ounce and all-in sustaining costs¹ were \$920 per ounce

Financial Highlights:

- Revenue totaled \$26.6 million
- Generated cash from operations of \$7.4 million
- Generated \$5.7 million in free cash²
- Cost of sales was \$22.1 million, including \$4.9 million of depreciation
- Operating income was \$3.7 million
- Adjusted net income¹ was \$2.1 million or \$0.03 per share
- Corporate G&A was less than \$40 per ounce sold
- Cash and cash equivalents as well as restricted cash totaled \$27.8 million at the end of the quarter

Additional Highlights:

- Closed initial public offering, including the exercise of the overallotment option, for gross proceeds of \$24.9 million
- Completed acquisition payments to Northern Star Resources Ltd.
- Common shares commenced trading on the TSX Venture Exchange under the symbol "SGI"

Chris Bradbrook, President and CEO of Superior Gold stated: "We are pleased to announce our first full quarter of results which include our initial public offering, completed in February 2017, and our second strong operational quarter since the acquisition of the Plutonic Gold Operations in October 2016. We are a business first and are focused on the bottom line. We have now operated the Plutonic Gold Mine for two consecutive quarters and have produced a total of 43,763 ounces of gold, and generated approximately \$12.8 million of free cash. The initial AUD\$12.5 million cash payment made in October to Northern Star Resources Ltd. has been recouped in less than six months, and we now have unrestricted cash and cash equivalents of \$25.9 million, providing us with flexibility to execute on our growth plan. I am also pleased that we have been able to keep Corporate G&A at competitive levels. Since commencing production in October 2016, our Corporate G&A has averaged \$34 per ounce of gold sold. We look forward to continuing

to build on this early momentum with a continued focus on cost control and building shareholder value. All future capital and exploration expenditures will be aimed at supporting the long-term generation of free cash."

Summary of Financial and Operational Results:

	Three months ended March 31	Three months ended December 31
All amounts in \$ millions except where noted	2017	2016
Financial		
Revenue	26.6	24.8
Cost of sales	22.1	19.7
Operating income	3.7	4.4
Net income (loss)	(3.0)	3.8
Net income (loss) per share (\$/share)	(0.05)	0.10
Adjusted net income ¹	2.1	2.9
Adjusted net income (\$/share) ¹	0.03	0.11
Cash from operating activities	7.4	8.5
Weighted number of common shares o/s	64,438,715	25,302,368
Operational		
Gold produced (ounces)	20,769	22,994
Gold sold (ounces)	21,801	20,352
Average realized price (\$/ounce)	1,219	1,214
Total cash costs (\$/ounce) ¹	799	771
All-in sustaining costs (\$/ounce) ¹	920	869
Total material mined (tonnes)	200,786	214,243
Total material milled (tonnes)	322,405	408,233
Grade Milled (g/t) ³	2.5	2.1
Recovery (%)	78	82

Plutonic Gold Mine

The Plutonic Gold Mine exceeded 20,000 ounces of gold produced and sold for the second consecutive quarter since the Company acquired the mine in October 2016. Total cash costs¹ and all in sustaining costs¹ of \$799 per ounce and \$920 per ounce respectively, were below the realized gold price of \$1,219 for the three-month period ending March 31, 2017. The Company generated net cash from operations after working capital changes of \$7.4 million for the three-month period ending March 31, 2017.

Development Activities

The initial development of the haul road for the Hermes project is scheduled to commence in mid-2017 with pre-stripping operations to follow in the latter half of the year. The Hermes deposit is expected to be mined as a conventional open pit contractor operated excavator-truck mining operation with ore being trucked for processing to the Plutonic Gold Mine mill.

Exploration Activities

The Company's ongoing underground diamond drilling program focused on eight zones at its wholly-owned Plutonic Gold Mine: Area 134; Baltic; Caribbean; Caspian; Cortez; Indian; Pacific; and Timor. This work was primarily aimed at resource definition and grade control, with some holes aimed at exploration in areas with little or no previous drilling. Results have been released for 281 holes totaling more than 21,000 metres. Significant intersections were encountered in all zones. Work to date has identified that prior work at the mine had tended to identify the mineralized zones as isolated, unconnected units. As a result of the interpretive work by the Company's geological team, underground exploration has begun to examine the potential link between the various zones. This initial 18 hole program was very successful with more than 35 intersections in excess of 5g Au/t.

Exploration drilling in the Baltic area was aimed at testing the gap between the Baltic and Caribbean Zones. This initial work has identified at least two potential new lodes adjacent to the Caribbean resource zone, in addition to potential extensions of existing lodes. Follow up work will be aimed at defining the mineralization in greater detail.

The drilling in the Pacific Zone targeted an area outside the resource, which was thought to have potential for high grade, sub-vertical structures. The program successfully intersected mineralization in two principal zones. Work is being planned to develop a preliminary block model for both.

Outlook and Strategy

In the near term, 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:

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

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

- (1) This is a Non-IFRS measure. Refer to Non-IFRS measures section of the MD&A for a description of these measures.
- (2) Free cash is defined as cash flow from operations less capital expenditures.
- (3) The grade milled is a combination of underground stoped ore, underground development ore, and low grade surface material.

Qualified Person

Scientific and technical information in this press release has been reviewed and approved by Simon Lawson who is a member of the AusIMM and a "qualified person" within the meaning of NI 43-101. Mr. Lawson is an employee of the Company and serves as the 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 Gold Mine, which is a producing underground operation with a central mill, the Hermes open pit development project 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/2017-05-25-Superior-Gold-Inc-Announces-First-Quarter-2017-Financial-and-Operating-Results>