

Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited)

(Expressed in thousands of United States dollars)



SUPERIOR
GOLD INC.

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

As at	March 31, 2017	December 31, 2016 (restated - note 15)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 25,925	\$ 6,096
Restricted cash (note 5)	1,847	1,749
Receivables and other assets	3,295	2,455
Inventories (note 6)	10,815	10,016
Total current assets	41,882	20,316
Non-current assets		
Mining interests and property, plant and equipment (note 7)	56,100	56,104
TOTAL ASSETS	\$ 97,982	\$ 76,420
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,747	\$ 8,929
Income taxes payable (note 14)	1,510	339
Short-term loan (note 8)	303	566
Contingent payable to Northern Star Resources (note 15)	-	18,090
Current portion of finance lease obligation	577	1,535
Current portion of provisions (note 9)	5,249	4,794
Total current liabilities	16,386	34,253
Non-current liabilities		
Finance lease obligation	-	27
Provisions (note 9)	19,398	18,279
Warrant liability (note 12(c))	638	151
Deferred tax liability (note 14)	7,514	8,889
Total non-current liabilities	27,550	27,346
TOTAL LIABILITIES	43,936	61,599
SHAREHOLDERS' EQUITY		
Share capital (note 12(a and b))	\$ 49,220	\$ 1,471
Subscription receipts (note 12(b))	-	10,552
Reserve (note 12 (c and d))	4,121	-
Accumulated other comprehensive loss	444	(476)
Retained (deficit) earnings	261	3,274
TOTAL EQUITY	\$ 54,046	\$ 14,821
TOTAL EQUITY AND LIABILITIES	\$ 97,982	\$ 76,420

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

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

	Three months ended March 31, 2017
REVENUES	
Metal sales	\$ 26,642
EXPENSES	
Cost of sales	22,097
General and administrative	828
OPERATING INCOME	3,717
OTHER EXPENSES (INCOME)	
Net finance cost	434
Business acquisition expenses (recovery)	(188)
(Gain) loss on change in valuation of warrant liability (note 12))	314
Loss on settlement of Contingent Payable to Northern Star Resources (note 15)	7,056
LOSS BEFORE TAXES	(3,899)
Income and mining tax recovery (note 14)	(886)
NET LOSS FOR THE PERIOD	\$ (3,013)
OTHER COMPREHENSIVE INCOME	
Foreign currency translation difference on foreign operations	920
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (2,093)
Loss per share (note 12(e)):	
Basic earnings per share	\$ (0.05)
Diluted earnings per share	(0.05)
Weighted average number of common shares outstanding (basic)	64,438,715
Weighted average number of common shares outstanding (diluted)	64,438,715

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

SUPERIOR GOLD INC.**Condensed Consolidated Interim Statement of Changes in Equity
(Unaudited)
(Expressed in thousands of United States Dollars)**

	Note	Number of shares issued	Share capital	Share-based payment reserve	Retained earnings	Accumulated other comprehensive income/(loss)	Total
Shares issued on incorporation on July 4, 2016	12	5,000,100	\$ 39	\$ -	\$ -	\$ -	\$ 39
Private placements	12	6,492,499	1,432	-	-	-	1,432
Subscription receipts	12	-	12,396	-	-	-	12,396
Subscription receipt issue costs	12	-	(796)	-	-	-	(796)
Share issue costs	-	-	(1,048)	-	-	-	(1,048)
Total comprehensive income for the period ended December 31, 2016 (restated – note 15)	-	-	-	-	3,274	(476)	2,798
Balance as at December 31, 2016 (restated – note 15)		11,492,599	\$ 12,023	\$ -	\$ 3,274	\$ (476)	\$ 14,821
Balance as at January 1, 2017		11,492,599	\$ 12,023	\$ -	\$ 3,274	\$ (476)	\$ 14,821
Conversion of Subscription receipts	12	32,600,000	-	-	-	-	-
Offering	12	32,717,500	24,916	-	-	-	24,916
Share issue costs	12	-	(2,114)	-	-	-	(2,114)
Plutonic Gold Operations Acquisition	12, 15	18,859,041	14,395	-	-	-	14,395
Northern Star warrants	12, 15	-	-	3,971	-	-	3,971
Share-based payments	12	-	-	150	-	-	150
Total comprehensive income for the period ended March 31, 2017	-	-	-	-	(3,013)	920	(2,093)
Balance as at March 31, 2017		95,669,140	\$ 49,220	\$ 4,121	\$ 261	\$ 444	\$ 54,046

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

SUPERIOR GOLD INC.**Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)
(Expressed in thousands of United States Dollars)**

	Three months ended March 31, 2017
Cash flows provided from (used by):	
OPERATING ACTIVITIES	
Net income (loss) for the period	\$ (3,013)
Adjustments:	
Depreciation and amortization	4,860
Loss on settlement of Contingent Payable to Northern Star Resources	7,056
Loss on change in valuation of warrant liability	314
Share-based payments	150
Employee entitlements expense	873
Net finance (income) cost	434
Income tax expense	(886)
Employee provisions paid	(684)
Reclamation payments	(154)
Net changes in non-cash working capital items:	
Receivables and other assets	(704)
Inventories	(234)
Accounts payable and accrued liabilities	(618)
	7,394
INVESTING ACTIVITIES	
Acquisition of Plutonic Gold Operations	(7,633)
Expenditures on mineral interests and property, plant and equipment	(1,719)
	(9,352)
FINANCING ACTIVITIES	
Issuance of common shares	24,916
Share issue costs	(1,875)
Repayment of short-term loan	(284)
Repayment of finance lease obligation	(1,072)
Interest paid	(29)
	21,656
Effect of exchange rates on cash and cash equivalents	131
Increase (decrease) in cash and cash equivalents	19,829
Cash and cash equivalents, beginning of period	6,096
Cash and cash equivalents, end of period	25,925

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

SUPERIOR GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2017

(Unaudited)

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Superior Gold Inc. (formerly 2525908 Ontario Inc.) (the “Corporation”) was incorporated under the Business Corporations Act in Ontario on July 4, 2016 and is engaged in the acquisition, exploration, development and operation of gold resource properties. The address and domicile of the Corporation’s registered office and its principal place of business is 70 University Avenue, Suite 1410, Toronto, Ontario M5J 2M4.

On October 12, 2016, the Corporation completed the acquisition of the Plutonic Gold Operations from Northern Star Resources Inc. (“Northern Star”) (note 15).

The Corporation raised aggregate gross proceeds of \$24,916 from an initial public offering (“Offering”) completed on February 23, 2017 and the exercise of an Over-Allotment Option completed on March 1, 2017 (12 (b)). After closing of the Offering, the Corporation paid the contingent consideration owing for the acquisition of the Plutonic Gold Operations including 18,859,041 common shares, 14,429,521 common share purchase warrants and \$7,633 (CAD\$10,000) of cash according to the amendment to the Acquisition Agreement dated February 9, 2017 (note 15).

The Corporation is subject to risks and challenges similar to other companies in a comparable stage of operation, exploration and development. These risks include, but are not limited to, losses, successfully raising cash flows through debt or equity markets and the successful development of its mineral property interests to satisfy its commitments and continue as a going concern. The Corporation believes it has sufficient funds available from existing cash on hand or available from continuing operations to maintain its mineral investments, fund its exploration and evaluation and administration costs.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements (the “financial statements”) have been prepared in accordance with IAS 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the IFRS Interpretations Committee. They do not include all the information required for full annual financial statements and therefore should be read in conjunction with the consolidated financial statements of the Corporation as at and for the year ended December 31, 2016. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Corporation’s financial position and performance since the last annual consolidated financial statements.

Basis of measurement

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

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

The significant judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

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Basis of consolidation

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

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

3. NEW AND AMENDED STANDARDS ADOPTED BY THE CORPORATION

The following accounting standard is effective and implemented as of January 1, 2017:

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The implementation of the amendments to IAS 12 did not have an impact on the Corporation's financial statements.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 Financial instruments replaces the existing guidance in IAS 39 Financial instruments recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carried forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation has not yet determined the impact of adopting IFRS 9 on the financial statements.

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IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from contracts with customers will replace 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 Corporation intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. The Corporation has not yet determined the impact of adopting IFRS 15 on the financial statements.

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 Corporation intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The Corporation has not yet determined the impact of adopting IFRS 16 on the financial statements.

Annual Improvements to IFRS Standards (2014-2016) Cycle

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. (Note: the amendment to IFRS 12 became effective from January 1, 2017). Remaining amendments not yet effective relate to IFRS 1 and IAS 28: removal of out-dated exemptions for first time adopters under IFRS 1 First-time Adoption of International Financial Reporting Standards, effective for annual periods beginning on or after January 1, 2018; and clarification that the election to measure an associate or joint venture at fair value under IAS 28 Investments in Associates and Joint Ventures for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018. The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

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. Earlier application is permitted. The Corporation has not yet determined the impact of adopting IFRIC 22 on the financial statements.

5. RESTRICTED CASH

The Corporation has provided cash collateralized bank guarantees to certain suppliers totaling \$1,847 (December 31, 2016 - \$1,749). The bank guarantees are short term obligations and consist of: (i) \$851 (December 31, 2016 - \$805) for the benefit of Goldfields Gas Transmission Pty Ltd. to secure approximately six months of costs for gas transportation services to supply gas to the Plutonic Gold Operations, (ii) \$764 (December 31, 2016 - \$724) to Zenith Pacific (NSR) Pty Ltd ("Zenith"), to secure a portion of the Corporation's operating and potential buyout obligations under a power contract with Zenith to supply

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power to the Plutonic Gold Operations, (iii) \$38 (December 31, 2016 - \$36) to APT Goldfields Pty Ltd, to secure approximately three months of fees under a pipeline operating agreement with APT, and (iv) \$43 (December 31, 2016 - \$41) for an office lease in Perth and general credit. In addition, the Corporation provided security deposits in the aggregate amount of \$151 (December 31, 2016 - \$143) to two suppliers to secure services related to supply and delivery of gas for the Plutonic Gold Operations.

6. INVENTORIES

	March 31, 2017	December 31, 2016
Consumable stores	\$ 6,714	\$ 6,210
Stockpiles	420	150
Gold in circuit	1,700	2,386
Dore on hand	1,981	1,270
	\$ 10,815	\$ 10,016

7. MINING INTERESTS AND PROPERTY, PLANT AND EQUIPMENT

	Mining interests	Exploration and evaluation	Land and buildings	Plant and equipment	Motor vehicles	Office equipment	Capital work in progress	Total
<i>Cost:</i>								
As at December 31, 2016	\$ 49,115	\$ 1,183	\$ 1,552	\$ 7,353	\$ 620	\$ 103	\$ 574	\$ 60,500
Additions	1,452	182	-	-	-	-	85	1,719
Transfers	-	-	75	369	-	226	(670)	-
Foreign exchange movement	2,781	68	88	418	35	8	27	3,425
March 31, 2017	53,348	1,433	1,715	8,140	655	337	16	65,644
<i>Accumulated depreciation:</i>								
December 31, 2016	3,253	-	285	838	16	4	-	4,396
Depreciation charge	3,262	-	282	1,172	92	52	-	4,860
Foreign exchange movement	209	-	19	57	2	1	-	288
March 31, 2017	6,724	-	586	2,067	110	57	-	9,544
As at beginning of period	\$ 45,862	\$ 1,183	\$ 1,267	\$ 6,515	\$ 604	\$ 99	\$ 574	\$ 56,104
As at March 31, 2017	\$ 46,624	\$ 1,433	\$ 1,129	\$ 6,073	\$ 545	\$ 280	\$ 16	\$ 56,100

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	Mining interests	Exploration and evaluation	Land and buildings	Plant and equipment	Motor vehicles	Office equipment	Capital work in progress	Total
<i>Cost:</i>								
July 4, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition of Plutonic Gold Operations	51,000	909	1,625	7,700	649	108	-	61,991
Additions	425	327	-	-	-	-	595	1,347
Foreign exchange movement	(2,310)	(53)	(73)	(347)	(29)	(5)	(21)	(2,838)
December 31, 2016 (restated – note 15)	49,115	1,183	1,552	7,353	620	103	574	60,500
<i>Accumulated depreciation:</i>								
July 4, 2016	-	-	-	-	-	-	-	-
Depreciation charge	3,406	-	298	877	17	4	-	4,602
Foreign exchange movement	(153)	-	(13)	(39)	(1)	-	-	(206)
December 31, 2016	3,253	-	285	838	16	4	-	4,396
As at beginning of period	-	-	-	-	-	-	-	-
As at December 31, 2016	\$ 45,862	\$ 1,183	\$ 1,267	\$ 6,515	\$ 604	\$ 99	\$ 574	\$ 56,104

Items comprising mineral interests and property, plant and equipment include mine development properties, exploration and evaluation assets, land and buildings, plant and equipment, motor vehicles, office equipment and capital work in progress. The Corporation will allocate the acquisition cost to these categories upon completion of the purchase price allocation of the Plutonic Gold Operations acquisition.

Mine development properties and exploration and evaluation include the Plutonic Gold Mine, the Hermes development project located south-west of the Plutonic Gold Mine and the Bryah Basin joint venture.

The Bryah Basin joint venture is located south-west of the Plutonic Gold Mine mill and the Corporation has an option to earn up to an 80% interest in the joint venture by spending AUD\$1.2 million (\$888) over three years beginning April 2015. The earn-in expenditure must be incurred at a rate of not less than AUD\$400,000 (\$296) per year and the failure to meet the minimum annual expenditure, or the total earn-in expenditure within the earn-in period, may result in termination of the joint venture agreement and all rights are divested by the Corporation.

8. SHORT-TERM LOAN

The short-term loan of \$303 (December 31, 2016 - \$566) represents amounts owing to a financial institution which financed the Corporation's annual insurance premium. The term of loan is 10 months commencing in September 2016 and terminating in June 2017 and bears interest at 2.75%.

9. PROVISIONS

	March 31, 2017	December 31, 2016
Employee entitlements	\$ 5,367	\$ 4,900
Rehabilitation	19,280	18,173
Total provisions	\$ 24,647	\$ 23,073
Current	\$ 5,249	\$ 4,794
Non-current	19,398	18,279
	\$ 24,647	\$ 23,073

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	Employee Entitlements	Rehabilitation	Total provisions
Beginning balance on December 31, 2016	\$ 4,900	\$ 18,173	\$ 23,073
Accretion	-	235	235
Revisions to expected cash flows	873	-	873
Utilized	(684)	(154)	(838)
Foreign exchange movement	278	1,026	1,304
Balance, March 31, 2017	5,367	19,280	24,647
Current	5,249	-	5,249
Non-current	118	19,280	19,398
Balance, March 31, 2017	\$ 5,367	\$ 19,280	\$ 24,647

(i) *Employee entitlements*

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

Current employee entitlements also include provisions for bonus and Fringe Benefits tax.

(ii) *Rehabilitation provision*

The Corporation assesses its mine rehabilitation provision annually. Significant judgment is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate the mine sites, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which the change becomes known. As at March 31, 2017, the mine rehabilitation provision has been discounted using a discount rate of 5.0% (December 31, 2016 – 5.0%) and the cash flows have been inflated using an inflation rate of 2.4% (December 31, 2016 – 2.4%), payable over the years 2019 to 2028. As at March 31, 2017, the total undiscounted estimated reclamation costs are approximately \$21,138.

10. 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, 2017
Property, plant and equipment	\$ 572

(ii) *Non-cancellable operating leases*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Corporation 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 Corporation has entered into an operating lease for the operation and maintenance of a power station for the Plutonic

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mine site. The lease term is 7 years and commenced in July 2014. Commitments for minimum lease payments in relation to this non-cancellable operating lease (excluding variable per kilowatt hour charges) are as follows:

	March 31, 2017
Within one year	\$ 1,538
Later than one but not later than five years	4,998
	\$ 6,536

11. FINANCIAL INSTRUMENTS

a) Fair value

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

The carrying value of finance lease obligations approximate fair value due to its short-term maturity and are classified as Level 2 in accordance with the fair value hierarchy.

The fair value of financial instruments is summarized as follows:

	March 31, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
<i>Held-for-trading</i>				
Cash and cash equivalents	\$ 25,925	\$ 25,925	\$ 6,096	\$ 6,096
Restricted cash	1,847	1,847	1,749	1,749
<i>Loans and receivables</i>				
Receivables (excluding HST and GST receivable)	1,342	1,342	1,368	1,368
Financial Liabilities				
Accounts payable and accrued liabilities	\$ 8,747	\$ 8,747	\$ 8,929	\$ 8,929
Short-term loan	303	303	566	566
Finance lease obligations	577	577	1,561	1,561
Contingent payable to Northern Star	-	-	18,090	18,090
Warrant liability (note 12(c))	\$ 638	\$ 638	\$ 151	\$ 151

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

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

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b) Financial risk management

Credit risk

The Corporation is exposed to credit risk with respect to its cash and cash equivalents and trade and other receivables. Credit risk arises from the non-performance of counterparties of contractual financial obligations. Management believes the risk of loss related to these deposits to be low. The Corporation continually evaluates changes in the status of counterparties.

Concentration of credit risk exists with respect to the Corporation's cash and cash equivalents as the majority of the amounts are held at a single Canadian and Australian financial institution, respectively. In addition, permitted instruments by which the Corporation hedges gold price risk are entered into with financial counterparties with a minimum credit rating of A (or equivalent). No such hedges have been entered into for the period since acquisition to March 31, 2017. All unhedged gold and silver is sold to a single counterparty with settlement terms of no more than 2 days. The Corporation does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. The Corporation's concentration of credit risk and maximum exposure thereto is as follows:

	March 31, 2017	December 31, 2016
Held at a major Canadian financial institution:		
Cash	\$ 15,085	\$ 458
Held at a major Australian financial institution:		
Cash	10,840	5,638
Restricted cash	1,847	1,749
Trade and other receivables	1,342	1,368
	\$ 29,114	\$ 9,213

Interest rate risk

The Corporation has cash balances and no variable rate interest-bearing debt. Interest income is not material to the Corporation. The Corporation is not exposed to significant interest rate risk. Borrowings relate to the purchases of plant and equipment under finance lease arrangements which have fixed interest rates over their term and therefore not subject to interest rate risk.

The effective interest rates of financial assets and financial liabilities with interest obligations at the reporting date are as follows:

	Fixed rate instruments March 31, 2017	Weighted average interest rate March 31, 2017	Fixed rate instruments December 31, 2016	Weighted average interest rate December 31, 2016
<i>Financial liabilities:</i>				
Short-term loan and Finance lease obligations	\$ 880	4.0%	\$ 2,127	4.5%

Foreign currency risk

The Corporation is exposed to currency risk to the extent that monetary assets and liabilities held by the Corporation are not denominated in United States dollars. The Corporation has not entered into any foreign currency contracts to mitigate this risk.

Certain of the Corporation's cash and cash equivalents, and accounts payable and accrued liabilities are held in

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Canadian ("CAD") Dollars; therefore, CAD amounts are subject to fluctuation against the United States Dollar (USD).

The Corporation had the following balances in foreign currency as at March 31, 2017:

	in CAD
Cash	\$ 20,078
Restricted cash	-
Trade and other receivables	294
Accounts payable and accrued liabilities	(1,731)
Long-term debt	-
	<u>18,641</u>

Based on the above net exposure as at March 31, 2017, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD would result in a decrease or increase of approximately \$1,401 in the Corporation's net loss and total comprehensive income.

The Corporation also has transactional currency exposures. Such exposures arise from purchases in currencies other than the respective functional currencies. The Corporation manages this risk by matching receipts and payments in the same currency and monitoring.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Corporation is exposed to the risk of fluctuations in the prevailing market prices for the gold and silver produced from its operations.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation anticipates that sufficient capital and liquidity will be available to meet its liabilities when due as a result of completion of the Offering on February 23, 2017 which permitted the settlement of the contingent payable to Northern Star Resources in cash and equity instruments.

The Corporation maintained sufficient cash and cash equivalents at March 31, 2017 in the amount of \$25,925 in order to meet short-term business requirements.

The table below analyses financial liabilities at balance date into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Total	Within 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years
<i>At March 31, 2017</i>					
Trade and other payables	\$8,747	\$8,747	\$ -	\$ -	\$ -
Finance lease liabilities	585	473	112	-	-
	<u>\$9,332</u>	<u>\$9,220</u>	<u>\$112</u>	<u>\$ -</u>	<u>\$ -</u>

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12. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued and outstanding

On July 4, 2016, the Corporation issued 5,000,100 common shares for gross proceeds of \$39.

The Corporation issued 6,492,499 common shares for aggregate gross proceeds of \$1,432 in four different tranches dated July 14, July 25, August 24 and September 26.

On September 29, 2016, the Corporation issued 32,600,000 Subscription Receipts for gross proceeds of \$12,396. Each Subscription Receipt was convertible to one Special Warrant for no additional consideration upon satisfaction of certain escrow release conditions.

Each Special Warrant entitled the holder thereof, upon deemed exercise (for no additional consideration), to acquire one common share upon completion of an initial public offering. The Offering was completed on February 23, 2017 which resulted in the deemed exercise of the Special Warrants into 32,600,000 common shares of the Corporation.

On February 23, and March 1, 2017, respectively, the Corporation completed an Offering of 28,450,000 common shares with an over-allotment option of 4,267,500 common shares at a price of \$0.76 and \$0.75 (CAD\$1.00) per common share. The gross proceeds to the Corporation were \$24,916 (CAD\$32,717). In connection with the offering the underwriters were paid a 6% commission totaling approximately \$1,495 (CAD\$1,963) and 681,525 Offering Broker Warrants (refer to note 12 (c)). Share issuance costs of \$3,958 (CAD \$5,208) were incurred in relation to the offering.

On February 23, 2017, the Corporation issued 18,859,041 common shares to Northern Star under the amended Acquisition Agreement, dated February 9, 2017 as partial consideration for the Plutonic Gold Operations (note 15).

c) Warrants

In connection with the Subscription Receipts and Offering transactions, the Corporation incurred \$3,618 of commissions and fees, excluding the value of warrants that have been recorded as share issue costs. As part of the consideration of the services rendered by the Agent in connection with the Private Placement and Offering, the Corporation issued to the Agent 1,230,000 Broker Warrants and 681,525 Offering Broker Warrants. The 1,230,000 Broker Warrants and 681,525 Offering Broker Warrants are exercisable at CAD\$0.50 per Broker Warrant and CAD\$1.00 per Offering Broker Warrant, respectively, up to February 23, 2019. The Corporation has accounted for the warrants as a financial liability as the strike price of the warrants is in a different currency than Superior Gold Inc.'s functional currency. For accounting purposes, the Corporation determined the fair value of the Broker Warrants and Offering Broker Warrants using the Black-Scholes option pricing model and recorded the amount as a warrant liability within non-current liabilities with the change in fair value from the date of issuance being reflected in the consolidated statement of comprehensive income as a change in valuation of warrant liability.

On February 23, 2017, the Corporation issued 14,429,521 common share purchase warrants to Northern Star under the amended Acquisition Agreement, dated February 9, 2017 as partial consideration for the Plutonic Gold Operations (note 15). The common share purchase warrants are exercisable at \$1.5166 per warrant, up to and including February 23, 2022. The Corporation has accounted for the warrants as an equity instrument as the strike price of these warrants is in Superior Gold Inc.'s functional currency.

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A summary of the assumptions in respect of warrants issued to the Agent and Northern Star as at March 31, 2017 are as follows:

	Number of warrants	Risk free interest rate	Expected annual volatility ⁽¹⁾	Expected Life (in years)	Value ⁽²⁾
Broker Warrants					
Granted, September 29, 2016	1,230,000	0.51%	60%	2.33	\$ 167
Revalued, December 31, 2016	1,230,000	0.58%	58%	2.11	151
Fair value change as at December 31, 2016					(16)
Revalued, March 31, 2017	1,230,000	0.75%	61%	1.90	485
Fair value change as at March 31, 2017					334
Offering Broker Warrants					
Granted, February 23, 2017	553,500	0.76%	61%	2.00	142
Granted, March 1, 2017	128,025	0.76%	58%	1.98	31
Revalued, March 31, 2017	681,525	0.75%	61%	1.90	153
Fair value change as at March 31, 2017					(20)
Total liability as at March 31, 2017					638
Total fair value change as at March 31, 2017					\$ 314
Northern Star Warrants					
Granted, February 23, 2017	14,429,521	1.13%	63%	5.00	\$3,971

⁽¹⁾ Based on an expected peer group of companies over the expected life of the warrants

⁽²⁾ Based on an assumed dividend yield of 0%

A summary of the status of warrants as of March 31, 2017 are as follows:

	Number outstanding	Weighted average exercise price (CAD\$)
Balance at incorporation, July 4, 2016	-	\$ -
Issued to Agent (Note 12c))	1,230,000	0.50
Balance, December 31, 2016	1,230,000	\$ 0.50
Issued to Agent (Note 12c))	681,525	1.00
Issued to Northern Star (Note 12c))	14,429,521	2.02
Balance, March 31, 2017	16,341,046	\$ 1.86

d) Share-based payments

Upon closing of the Offering, the Corporation granted stock options to purchase Common Shares under an omnibus equity incentive plan (the "Omnibus Equity Plan"). The Omnibus Equity Plan will be approved by the Board pursuant to the rules of the Exchange, and will be presented to shareholders of the Corporation at the first annual general meeting of shareholders. The Omnibus Equity Plan permits the granting of incentive stock options ("Stock Options") to the Corporation's employees, officers, and directors for the purpose of developing the interest of the participants in the growth and development of the Corporation and to better enable the Corporation to attract and retain persons of desired experience and ability. These share options may only be settled in the Corporation's shares.

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Movements in the share options are summarized below:

	Number of options	Weighted average exercise price ⁽¹⁾	Weighted average exercise price (CAD\$)
Balance, January 1, 2017	-	\$ -	\$ -
Granted	6,650,000	0.75	1.00
Forfeited	-	-	-
Expired	-	-	-
Exercised	-	-	-
Balance March 31, 2017	6,650,000	\$ 0.75	\$ 1.00

⁽¹⁾ At March 31, 2017, the U.S. dollar weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.7513.

The fair value of the options granted to employees, officers and directors under the share option plan was measured using the Black-Scholes option pricing model. The grant date fair value is amortized, as part of compensation expense over the vesting period with one third of the Stock Options vesting on the first grant date anniversary and two thirds vesting on the second grant date anniversary.

The weighted average inputs used in the measurement of fair value at grant date during the three months ended March 31 were:

	2017
Number of share options granted	6,650,000
Expected volatility ⁽¹⁾	63%
Risk free interest rate	0.94%
Estimated forfeiture rate	0%
Expected dividend yield	Nil
Expected life in years	3.33
Fair value (weighted average)	
- CAD\$	\$ 0.44
- U.S. \$ ⁽²⁾	\$ 0.34

⁽¹⁾ Expected volatility is measured as the annualized standard deviation of share price returns, based on the historical movements in the price of comparable publicly traded companies considered included in the Corporation's peer group over the same period as the expected life of the option being valued.

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

Share options outstanding and exercisable at March 31, 2017 are:

Options outstanding					Options exercisable			
Exercise price (CAD\$)	Number of options	Weighted average exercise price ⁽¹⁾	Weighted average exercise price CAD\$	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price ⁽¹⁾	Weighted average exercise price CAD\$	Weighted average remaining contractual life (years)
\$1.00	6,650,000	\$0.75	\$1.00	4.90	-	\$-	\$-	-
\$1.00	6,650,000	\$0.75	\$1.00	4.90	-	\$-	\$-	-

⁽¹⁾ At March 31, 2017, the U.S. weighted average exercise price was calculated using the period end Canadian to U.S. dollar exchange rate of 0.7513.

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

	Equity settled plans	
	Share option plan	
Cost of sales – Mining	\$	17
Cost of sales – Site services		28
General and administrative		105
Three months ended March 31, 2017	\$	150

e) Earnings per share

The calculation of basic earnings per share for the period ended March 31, 2017 was based on the loss attributable to common shareholders of \$3,013 and the weighted average number of common shares outstanding of 64,438,715. The outstanding Broker Warrants, Offering Broker Warrants and warrants issued to Northern Star (refer to note 15) are not dilutive to earnings per share for the period ended March 31, 2017.

13. RELATED PARTY TRANSACTIONS

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:

The Corporation paid \$169 (for the three months ended March 31, 2017) for management service fees to key employees.

The balance included accounts payable and accrued liabilities as at March 31, 2017 was \$63 to these related parties.

Northern Star is a related party as a result of its 19.7% ownership interest in the Corporation's common shares and 14,429,521 warrants (note 15) at March 31, 2017. Northern Star acquired 18,859,041 common shares under the amended Acquisition Agreement, dated February 9, 2017 as partial consideration for the Plutonic Gold Operations (note 15). In the three months ended March 31, 2017, the Corporation paid Northern Star \$177 related to the finance lease obligation, subsequent to February 23, 2017. The Corporation assumed the lease from Northern Star upon acquisition of the Plutonic Gold Operations. The Current portion of finance lease obligation of \$577 represents the amount owing to Northern Star at March 31, 2017.

14. TAXES

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

The tax recovery for the three months ended March 31, 2017 was \$886 and varied from the tax recovery calculated using the Corporation's income tax rate of 26.5%.

15. PLUTONIC GOLD OPERATIONS ACQUISITION

On October 12, 2016 (the "Acquisition Date"), the Corporation completed the acquisition of the Plutonic Gold Operations. The Corporation (as the buyer) entered into an Acquisition Agreement on August 12, 2016 and amended February 9, 2017, with Northern Star (as the vendor) and Northern Star Mining Services Pty Ltd. relating to the acquisition (the "Acquisition") of the Plutonic Gold Operations, secured via a refundable deposit of \$762 (AUD\$1 million).

The acquisition consideration as outlined in the August 12, 2016 Acquisition Agreement and in the February 9, 2017

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amended Acquisition Agreement consisted of an initial payment of AUD\$12.5 million and in addition the Corporation:

- on completion of Superior Gold's initial public offering on February 23, 2017, paid Northern Star \$7,633 cash, 18,859,041 common shares and 14,429,521 common share purchase warrants.
- paid Northern Star a working capital adjustment in the amount of AUD\$4.6 million that was paid over a three month period ending December 31, 2016.
- agreed to pay Northern Star a 2% net smelter return royalty on future gold recovered from the Plutonic Gold Operations in excess of 300,000 ounces. The royalty terminates on the earlier of; (i) the date that AUD\$10 million is paid to Northern Star under the royalty, or (ii) gold in excess of 600,000 ounces being produced (the "Northern Star Royalty"). The Corporation maintains the right to purchase the Northern Star Royalty back from Northern Star for a purchase price of AUD\$6.5 million at any time before the expiry of 30 days after the date the royalty first becomes payable.
- agreed to pay Northern Star milestone payments ("Milestone Payments") of AUD\$2.5 million for every 250,000 ounces of NI 43-101 compliant measured and indicated resources identified at the Plutonic Gold Operations in excess of the 1,717,000 ounces of JORC compliant measured, indicated and inferred resources. The aggregate of the Milestone Payments are capped at AUD\$10 million.
- agreed to Northern Star being eligible to nominate one director to the Board. Mr. Shaun Day, the current Chief Financial Officer of Northern Star was appointed to the Board.

The Acquisition also includes the Hermes open pit development project ("Hermes"). Hermes is an open pit development project located south-west of the Plutonic Gold Mine.

The acquisition of the Plutonic Gold Mine also included an interest in the Bryah Basin exploration joint venture (the "Bryah Basin"). The Bryah Basin joint venture is located south west of the Plutonic Gold Operations processing plant.

In accordance with IFRS 3 *Business Combinations*, the Corporation has allocated the purchase price of \$32,324 to the acquired assets and liabilities of the Plutonic Gold Operations. This price is the sum of initial cash payment, the contingent payable to Northern Star and an obligation to reimburse for working capital acquired and pre acquisition expenses of Northern Star.

The Corporation has accounted for the fair value of the contingent consideration as follows:

- fair value of the Northern Star Royalty was determined to have nil value as it was estimated that the ounces to be recovered, and used in the determination of the fair value of the mining interests, will not be in excess of 300,000 ounces produced from October 1, 2016; and
- The fair value of the Milestone Payments was determined to have nil value given the uncertainty as to the timing and the ability of Superior to identify and estimate additional NI 43-101 compliant measured and indicated resources in excess of the 1,717,000 ounces of JORC compliant measured, indicated and inferred resources.

Cash	\$ 9,471
Contingent payable to Northern Star	18,943
Obligation to reimburse for working capital on acquisition and pre-acquisition expenses	3,910
Aggregate purchase price	\$ 32,324

The aggregate preliminary purchase price has been allocated to the following identifiable assets acquired and liabilities assumed as assumed in the Acquisition Agreement based on their estimated fair values as of March 31, 2017:

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	Original Purchase price allocation as at December 31, 2016	Adjustments	Restated
Amounts receivable	\$ 49	\$ -	\$ 49
Inventory	9,059	-	9,059
Mining interests and property, plant and equipment ⁽¹⁾	60,981	1,008	61,989
Trade and other payables	(34)	-	(34)
Current borrowings	(1,950)	-	(1,950)
Current provisions	(3,848)	(884)	(4,732)
Non-current borrowings	(110)	-	(110)
Non-current provisions ⁽¹⁾	(19,457)	538	(18,919)
Deferred tax liability	(3,098)	(6,290)	(9,388)
Total net identifiable assets acquired	41,592	(5,628)	35,964
Bargain purchase gain	(9,268)	5,628	(3,640)
Total consideration paid	\$ 32,324	\$ -	\$ 32,324

⁽¹⁾ Mining interests and non-current provisions include the mine rehabilitation provision of \$18,794 assumed as part of the Acquisition.

A restated Condensed Consolidated Interim Statement of Comprehensive Income for the period ended December 31, 2016, reflecting the adjustments indicated above is provided below:

	For the period from incorporation on July 4, 2016 to December 31, 2016	Adjustments	Restated
REVENUES			
Metal sales	\$ 24,750	\$ -	\$ 24,750
EXPENSES			
Cost of sales	19,727	-	19,727
General and administrative	740	-	740
OPERATING INCOME	4,283	-	4,283
OTHER EXPENSES (INCOME)			
Net finance cost	520	-	520
Business acquisition costs	3,864	-	3,864
(Gain) on change in valuation of warrant liability	(16)	-	(16)
Bargain purchase gain on acquisition of Plutonic Gold Operations	(9,268)	5,628	(3,640)
NET INCOME BEFORE TAXES	9,183	(5,628)	3,555
Income and mining tax expense	281	-	281
NET INCOME FOR THE PERIOD FROM INCORPORATION ON JULY 4, 2016 TO DECEMBER 31, 2016	\$ 8,902	\$ (5,628)	\$ 3,274
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation difference on foreign operations	(729)	253	(476)
COMPREHENSIVE INCOME FOR THE PERIOD FROM INCORPORATION ON JULY 4, 2016 TO DECEMBER 31, 2016	\$ 8,173	\$ (5,375)	\$ 2,798
Loss per share (note 12(d)):			
Basic earnings per share	\$ 0.35		\$0.13
Diluted earnings per share	0.35		0.13
Weighted average number of common shares outstanding (basic)	25,302,368		25,302,368
Weighted average number of common shares outstanding diluted)	25,302,368		25,302,368

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The Corporation's has preliminarily determined the fair value of the mining interests and property plant and equipment through a valuation of the value of the property's reserves, resources and exploration potential. The significant assumptions used in determining the fair value of mining interests were: i) a gold price of US\$1,250 per ounce for 2017 and US\$1,300 per ounce for 2018 and beyond; ii) an after tax discount rate of 6.5%; and iii) expected operating costs consistent with the operating costs outlined in the NI 43-101 report on the mining property. The fair value of the exploration potential was estimated based on historical and planned expenditures as well as a market value approach for mineral resources through a comparative analysis of appropriate market comparable values. The fair value of property plant and equipment was estimated based on a third-party valuation. These fair value amounts are subject to significant estimation and judgement.

The fair value of the net assets acquired will ultimately be determined based on information which was either known or knowable as of the date of the closing of the Acquisition. The significant component which remain subject to adjustment are mining interests and property, plant and equipment, decommissioning obligations, income taxes and any corresponding bargain purchase gain or goodwill. The finalization of these amounts are subject to the completion of analysis of the associated expected cash flows. The finalization of the purchase price allocation may result in differences between the final determination of fair values and those outlined in the preliminary allocation of the purchase price and those differences may be material.