



Superior Resources Limited

ABN 72 112 844 407

ANNUAL FINANCIAL REPORT For the year ended 30 June 2020

Contents

Directors' Report	2
Auditor's Independence Declaration	14
Corporate Governance	15
Consolidated Statement of Profit or Loss	16
Consolidated Statement of Other Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	20
Notes to the Consolidated Financial Statements	21
Directors' Declaration	46
Independent Auditor's Report	47

DIRECTORS' REPORT

Company Background

Superior Resources Limited (**Superior** or the **Company**) is a Brisbane based ASX-listed company (ASX code: SPQ) exploring for lead-zinc-silver, copper, gold and nickel sulphide deposits in Australia.

Superior currently holds a number of exploration permits and exploration permit applications in northern Queensland.

In northwest Queensland, exploration for Mount Isa style deposits has resulted in Superior holding a first-class portfolio of properties for these deposits. Superior has an expanding portfolio of volcanogenic massive sulphide (**VMS**) and porphyry copper-gold, gold and nickel sulphide properties in the Greenvale area of north eastern Queensland with Mineral Resources defined for two properties.

Corporate Philosophy

Superior's aim is to increase shareholder value through the discovery, development and acquisition of significant mineral deposits and the Board maintains a strategy consistent with this aim.

Superior targets areas with potential for larger high-grade deposits of copper, lead-zinc-silver, gold and nickel sulphide. These include the large Mount Isa style projects in northwest Queensland and the more moderate but high grade VMS deposits in northeast Queensland. The Company also holds a developing portfolio of gold, nickel and cobalt projects within its north west and north east Queensland properties.

More recently, Superior has commenced a program of assessment and development of its 100%-owned Steam Engine Gold Deposit at Greenvale.

Superior has adopted a conceptual approach in its search for Mount Isa style deposits which identifies permissive environments for these deposits and then explores these areas. Models, derived from existing large mineral deposits, are an integral part of this approach. Once a permissive environment is identified, Superior uses advanced exploration methods (particularly geophysics) with modern computer modelling of data to identify targets for further testing.

While a conceptual approach is also appropriate to a search for Proterozoic gold and VMS copper-gold deposits, Superior has adopted the more traditional approach in its search for these types of deposits by exploring around existing indications of mineralisation.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to in this Report as the **Group**) consisting of Superior Resources Limited and the entities it controlled during the year ended 30 June 2020 (**Report**).

DIRECTORS

The following persons were Directors of the Company during the year and up to the date of this Report:

P H Hwang	Managing Director
C A Fernicola	Chairman and Company Secretary
S J Pooley	Non-Executive Director (appointed 28 November 2019)
K J Harvey	Non-Executive Director (retired 28 November 2019)

PRINCIPAL ACTIVITIES

During the year the principal activity of the Group was exploration for base metals, copper-gold and nickel-cobalt deposits in northern Queensland, Australia. The Company also commenced evaluation of the Steam Engine Gold Deposit. There were no significant changes in the nature of the Company's activities during the year and no significant changes in activity are anticipated.

DIVIDENDS

There were no dividends paid to members during the financial year (2019: \$nil).

REVIEW OF OPERATIONS

The loss after tax for the year was \$461,100 (2019: loss of \$549,373).

Coronavirus (Covid19) Impact

The impact of the Coronavirus (COVID-19) pandemic up to 30 June 2020 has been financially positive for the consolidated entity. The Queensland State and Australian Federal Governments have provided financial support by suspending the requirement to pay tenement rental fees and providing cash support (Jobkeeper) for continued employment of staff.

Summary

The Company's activities during the full year period were focused on the following:

- **Nicholson Project** (zinc-lead-silver)
 - the Company as the operator, commenced exploration operations under an Earn-in and Joint Venture Agreement (**JVA**) with South32;
 - the JVA terminated on 4 March 2020;
- **Greenvale Project** (VMS and porphyry copper, gold and nickel-cobalt)
 - developed a revised Mineral Resource Estimate on the Steam Engine Gold Deposit;
 - commenced a Scoping Study on the Steam Engine Gold Deposit;
 - prepared a 3,500m reverse circulation and diamond core drilling program at the Steam Engine Gold Deposit; and
 - conducted data review and planning for exploration work at the Big Mag nickel-copper-cobalt prospect.

DIRECTORS' REPORT

REVIEW OF OPERATIONS – (continued)

Steam Engine Gold Project – Greenvale Project

The Company commenced an evaluation and development program at the Steam Engine Gold Deposit during January 2020. The Steam Engine Mineral Resource Estimate was revised and upgraded to Indicated and Inferred (JORC 2012), resulting in an approximate 11% increase in the in-situ gold Mineral Resource.

The total in-situ mineral resource now stands at:

- **1.27 million tonnes at 2.3 g/t gold (approximately 94,000 ounces), including:**
 - **Indicated Resources: 370,000 tonnes @ 2.5 g/t gold (approx. 33,000 ounces); and**
 - **Inferred Resources: 900,000 tonnes @ 2.2 g/t gold (approx. 64,000 ounces)¹.**

A 3,500 metre resource infill and expansion drilling program commenced during late July 2020.

A Scoping Study was commenced during the period for the purpose of assessing the viability of a toll treatment operation based on the revised Steam Engine Mineral Resource.

North West Queensland – Nicholson Project

The Nicholson Project (EPM15670 and EPM18203), located near the Walford Creek lead-zinc-silver-copper deposit, is considered to have the potential to contain sediment-hosted lead-zinc-silver massive sulphide deposits, similar to the Mount Isa and McArthur River deposits.

The Company entered into an Earn-in and Joint Venture Agreement (**JVA**) with South32 Group Operations Pty Ltd on 28 May 2019 (**South32**) in respect of the Nicholson Project. Under the terms of the JVA, South32 may earn an interest of up to 80% in the Project by satisfying the following requirements:

- Stage 1: South32 must sole-fund an initial \$2,000,000 or 4,000m of drilling (whichever comes first) within the first 12 months of operations;
- Stage 2: provided South32 completes Stage 1, it will have a right to elect to proceed to Stage 2 to earn a 70% interest in the Project by sole-funding an additional \$4,000,000 on exploration within a further four years; and
- Stage 3: provided South32 completes Stage 2, it will have a right to earn an additional 10% interest in the Project by sole-funding a feasibility study.

Superior was the JV operator during Stages 1 and 2 of joint venture operations. Drilling of the first diamond core hole commenced on 27 July 2019.

The Stage 1 drilling program targeted up to eight large (Tier-1 size potential) geophysical conductivity anomalies having potential to be caused by large SEDEX (McArthur River style) base metal deposits.

Four diamond core holes, totalling 3,175.7m (of a planned eleven-hole program), drilled at three of the targets were completed by late October 2019 (the end of the 2019 field season). Initial drilling at five other targets are yet to be completed.

Assay results from selected drill intercepts confirms mineralisation that was visually observed within the core and enables the commencement of an interpretative review of all data sets. This review is incomplete, but ongoing.

The drilling confirmed the presence of a SEDEX mineralisation system at Nicholson West, which is developed within a thick (up to 340m) and prospective Mount Les Siltstone rock unit. Interpretation of the data indicates that holes are located at the outer edges of the SEDEX system and that the main body of mineralisation may be developed closer to the potential mineralising feeder structure located about 3 kilometres to the south, at the Nicholson River Fault Zone.

On 4 March 2020, South 32 Withdrew from the JVA.

¹ Refer ASX announcement dated 4 May 2020 for information relating to the upgraded Mineral Resource Estimate.

DIRECTORS' REPORT

REVIEW OF OPERATIONS – (continued)

CORPORATE and COMMERCIAL

- The Company raised \$459,000 under a placement to sophisticated investors during August 2019. 57,375,000 placement shares were issued at an issue price of \$0.008.
- The Company completed a capital raising campaign during the second calendar Quarter of 2020 comprising a two-tranche placement and a non-renounceable rights issue to raise up to \$1.18 million (before costs).

The placement was offered to institutional and sophisticated investors to subscribe for fully paid ordinary shares priced at \$0.003 (0.3 cents) per share, with one free attaching option for every three subscribed shares. The options have an exercise price of \$0.006 (0.6 cents) and expire on 31 December 2021. The placement was fully subscribed.

The rights issue was offered to existing shareholders on a pro-rata basis of one new share for every three ordinary fully paid shares held in the Company on 26 May 2020, at a price of \$0.003 (0.3 cents) per new share. Shareholders who subscribed under the rights issue also received one free attaching option for every three entitlement shares issued, with each option having an exercise price of \$0.006 (0.6 cents) and expiring on 31 December 2021. The rights issue was oversubscribed.

Allotment and issue of all shares and options under the placement and rights issue was completed on 14 July 2020.

- Appointment of Mr Simon Pooley as Non-Executive Director

Mr Simon Pooley was appointed as a Non-Executive Director of the Company on 28 November 2019.

- Retirement of Mr Ken Harvey (Non-Executive Director)

Mr Ken Harvey, Non-Executive Director of the Company, retired from the Board at the conclusion of the 2019 Annual General Meeting held on 28 November 2019.

CASH CONSERVATION

The Company's Board continues to maintain the current cash conservation measures with respect to the Company's operations and administration.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year, the Group raised \$366,530 through the issue of 122,176,641 new shares at a value of \$0.003 per share. A total of 77,996,452 free attaching options with an exercise price of \$0.006 and an expiry date of 31 December 2021 were also issued since the end of the financial year under the capital raising exercise.

In addition, 15,000,000 options with an exercise price of \$0.006 and an expiry date of 31 December 2021 were issued to the lead manager as part consideration for their role in the above capital raising.

Other than the above, no matters or circumstances have arisen since 30 June 2020 that have significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2020, it is not practical to estimate the potential impact, positive or negative, after the reporting date. The situation is continually developing and is subject to measures imposed by the Australian State and Federal Governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS FROM OPERATIONS

Results from exploration are difficult to predict in advance and are uncertain.

ENVIRONMENTAL REGULATION

The Group's operations are subject to significant environmental regulation under the laws of the Commonwealth and the State of Queensland. No matters have arisen in relation to environmental issues up to the date of this Report.

INFORMATION ON DIRECTORS

Peter Henry Hwang B.Sc.(Hons), LLB, MAIG, MGSA, MQLS

Managing director. Age 51

Experience and expertise

Mr Hwang has over 10 years' experience as a gold, base metals and diamond exploration geologist and 18 years' experience as a solicitor in national and Queensland law firms specialising in resources, commercial and infrastructure and native title law. He has extensive experience in advising on the development of mining and major infrastructure projects, mining transactions as well as resource sector mergers and acquisitions transactions.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Managing Director.

Interests in SPQ shares and options

46,796,621 ordinary shares.

3,899,717 options over unissued ordinary shares.

Carlos Alberto Fernicola B.Com., FCA, F Fin FCIS FGIA CTA

Chairman. Age 58

Graduate Diploma Advanced Accounting, Graduate Diploma Applied Finance and Investments, Graduate Diploma Corporate Governance and Graduate Certificate Financial Planning.

Experience and expertise

Mr Fernicola is the Principal of Carlos Fernicola & Co., Chartered Accountants. Mr Fernicola is a Fellow of the Institute of Chartered Accountants in Australia, Fellow of the Governance Institute of Australia and Fellow of the Financial Services Institute of Australia. He has over 30 years of experience in accounting, taxation, audit and the financial services industry.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chairman and Company Secretary.

Member of the Audit Committee.

Interests in SPQ shares and options

47,999,998 ordinary shares.

3,993,053 options over unissued ordinary shares.

DIRECTORS' REPORT

Simon James Pooley B.Sc., MAIM, GAICD

Non-Executive Director. Age 57

Experience and expertise

Mr Pooley has 30 years' experience in mine development, operations and mineral exploration. He has held senior industry positions that have demonstrated leadership and management of base and precious metals exploration and mining operations, development of project assessment types including definitive and bankable feasibility studies and their conversion into mining operations and managed teams undertaking exploration evaluations and valuations, project evaluation, resource estimation and exploration management.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of the Audit Committee.

Interests in SPQ shares and options

1,250,000 ordinary shares.

COMPANY SECRETARY

The Company Secretary is Mr Carlos Alberto Fernicola, B.Com, FCA, FFin FCIS FGIA, CTA. Graduate Diploma Advanced Accounting, Graduate Diploma Applied Finance and Investments, Graduate Diploma Corporate Governance and Graduate Certificate Financial Planning.

Mr Fernicola was appointed to the position of Company Secretary on 11 November 2010.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

The numbers of meetings of the company's Board of Directors held during the year ended 30 June 2020, and the numbers of meetings attended by each director were:

Board

<i>Director</i>	<i>Meetings Eligible to attend</i>	<i>Meetings attended</i>
PH Hwang	4	4
CA Fernicola	4	4
SJ Pooley ²	2	2
KJ Harvey ¹	2	2

Audit Committee

<i>Director</i>	<i>Meetings eligible to attend</i>	<i>Meetings attended</i>
CA Fernicola	2	2
SJ Pooley ²	1	1
KJ Harvey ¹	1	1

¹ Retired 28 November 2019

² Appointed 28 November 2019

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The Directors are pleased to present your Group's 2020 remuneration report which sets out remuneration information for Superior Resources Limited's non-executive Directors, executive Directors, and other key management personnel.

The report contains the following sections:

- (a) Directors and key management personnel disclosed in this Report
- (b) Remuneration governance
- (c) Use of remuneration consultants
- (d) Executive remuneration policy and framework
- (e) Relationship between remuneration and Superior Resources Limited's performance
- (f) Non-executive director remuneration policy
- (g) Voting and comments made at the company's 2019 Annual General Meeting
- (h) Details of remuneration
- (i) Service agreements
- (j) Details of share-based compensation and bonuses
- (k) Equity instruments held by key management personnel
- (l) Loans to key management personnel
- (m) Other transactions with key management personnel

(a) Directors and key management personnel disclosed in this Report

Non-executive and executive Directors

P H Hwang

C A Fernicola

S J Pooley (appointed 28 November 2019)

K J Harvey (retired 28 November 2019)

Other key management personnel

Name

Position

C A Fernicola

Company Secretary

(b) Remuneration governance

The Board is responsible for:

- the over-arching executive remuneration framework;
- the operation of any established incentive plans which may apply to the executive team, including key performance indicators and performance hurdles;
- remuneration levels of executive Directors and other key management personnel; and
- non-executive Directors' fees.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group.

(c) Use of remuneration consultants

The Group has not engaged the services of any remuneration consultants during the current or prior financial years.

(d) Executive remuneration policy and framework

The combination of base pay and superannuation make up the executive Directors' total remuneration. Base pay for the executive Directors is reviewed annually to ensure the executives' pay is competitive with the market. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- transparency; and
- capital management.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) – (continued)

Long-term incentives

In the event that the Board of Directors proposes to establish any long-term incentives for executive Directors, the Board will obtain approval at a general meeting of shareholders.

Any issue of options to executive Directors is designed to focus executives on delivering long-term shareholder returns.

(e) Relationship between remuneration and Superior Resources Limited's performance

There is no direct link between remuneration, company performance and shareholder wealth. The Group's activities focus on the objective of delivery of long-term shareholder returns.

(f) Non-executive director remuneration policy

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of those Directors. Non-executive Directors' fees and payments are reviewed annually by the Board.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum total pool currently stands at \$250,000 in aggregate plus statutory superannuation.

(g) Voting and comments made at the company's 2019 Annual General Meeting

The 2019 remuneration report was passed by a show of hands and had less than 25% proxy votes cast against it. The company did not receive any feedback at the AGM or throughout the year on its remuneration practices.

(h) Details of remuneration

The following tables show details of the remuneration entitled to be received by the Directors and the key management personnel of the Group for the current and previous financial year.

Consistent with the Board's cash conservation measures, the Directors received between 50% and 65% of their respective remuneration entitlement during the reporting period.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) – (continued)

2020	Short-term benefits	Post- employment benefits	Share- based payments	
Name	Cash salary and fees \$	Superannuation \$	Options \$	Total \$
<i>Non-executive Directors</i>				
C A Fernicola	24,000	-	-	24,000
K J Harvey ¹	21,918	2,082	-	24,000
S J Pooley ²	12,785	1,215	-	14,000
<i>Other key management personnel</i>				
C A Fernicola (Company Secretary)	24,000	-	-	24,000
Sub-total non-executive Directors and other key management personnel	82,703	3,297	-	86,000
<i>Executive Directors</i>				
P H Hwang - Managing Director	211,000	20,045	-	231,045
Totals	293,703	23,342	-	317,045

2019	Short-term benefits	Post- employment benefits	Share- based payments	
Name	Cash salary and fees \$	Superannuation \$	Options \$	Total \$
<i>Non-executive Directors</i>				
C A Fernicola	24,000	-	-	24,000
K J Harvey	35,616	3,384	-	39,000
<i>Other key management personnel</i>				
C A Fernicola (Company Secretary)	24,000	-	-	24,000
Sub-total non-executive Directors and other key management personnel	83,616	3,384	-	87,000
<i>Executive Directors</i>				
P H Hwang - Managing Director	211,000	20,045	-	231,045
Totals	294,616	23,429	-	318,045

¹ Retired 28 November 2019

² Appointed 28 November 2019

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) – (continued)

(i) Service agreements

Remuneration and other terms of employment of the Managing Director are formalised in an agreement. The major provisions of the agreement relating to remuneration are set out below.

P H Hwang, *Managing Director*

- Term of employment agreement – indefinite commencing 22 April 2013.
- Base salary, inclusive of superannuation, for the year ended 30 June 2020 of \$231,045, to be reviewed at least annually by the Board.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to six months remuneration.
- Agreement may be terminated by employee giving six months' notice in writing.

(j) Details of share-based compensation and bonuses

There have been no options granted affecting remuneration in the current or a future reporting period.

(k) Equity instruments held by key management personnel

The tables below show the number of shares and options in the company that were held during the financial year by key management personnel of the Group, including their close family members and entities related to them.

Ordinary Shares

<i>Name</i>	<i>Balance at the start of the year</i>	<i>Received on exercising options</i>	<i>Net purchased / (sold)</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>
P H Hwang	35,097,467	-	11,699,154	-	46,796,621
C A Fernicola	35,624,999	-	12,374,999	-	47,999,998
K J Harvey ¹	31,193,040	-	10,397,679	-	41,590,719
S J Pooley ²	1,250,000	-	-	-	1,250,000

Options Over Unissued Ordinary Shares

<i>Name</i>	<i>Balance at the start of the year</i>	<i>Options Exercised</i>	<i>Net purchased / (sold)</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>
P H Hwang	3,332,246	-	3,899,717	(3,332,246) ³	3,899,717
C A Fernicola	3,562,499	-	3,993,053	(3,562,499) ³	3,993,053
K J Harvey ¹	3,119,304	-	3,465,893	(3,119,304) ³	3,465,893
S J Pooley ²	-	-	-	-	-

¹ Retired 28 November 2019

² Appointed 28 November 2019

³ Options expired during the year

All options are vested and exercisable.

(l) Loans to key management personnel

There were no loans to key management personnel during the financial period.

(m) Other transactions with key management personnel and/or their related parties

There were no other transactions with key management personnel or their related parties.

End of Remuneration Report

DIRECTORS' REPORT

SHARES UNDER OPTION

During the year ended 30 June 2020, 113,560,925 options that were issued in relation to a capital raising transaction undertaken during January to March 2018, expired on 31 August 2019.

53,127,663 options were issued during the year with an exercise price of \$0.006 and an expiry date of 31 December 2021. All remain outstanding at the date of this Report.

Since year end and up to the date of this Report, 92,996,452 options with an exercise price of \$0.006 and an expiry date of 31 December 2021 were issued.

As at the date of this Report, a total of 146,124,115 options are on issue.

During the year and since year end, there were no shares issued on the exercise of options granted.

INSURANCE OF OFFICERS

During the year the Group paid a premium of \$34,062 to insure the Directors and Secretary of the Company.

The risks insured include pecuniary orders and legal costs that may result from civil or criminal proceedings that may be brought against the officers in their capacity as officers and any other payments arising in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to any Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of amounts paid or payable to the auditor for audit and non-audit services provided during the year are outlined in Note 23 to the financial statements.

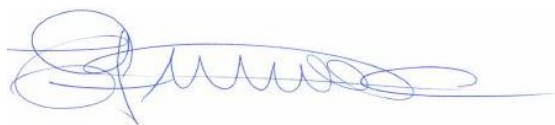
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

AUDITOR

PKF Brisbane Audit resigned from office and were replaced by William Buck (Qld).

This Report is made in accordance with a resolution of the Directors.



CA Fernicola
Chairman

Brisbane, 29th day of September 2020

AUDITOR'S INDEPENDENCE DECLARATION

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SUPERIOR RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck (Qld)
ABN 21 559 713 106

Junaide Latif

Junaide Latif
Director

Brisbane, 29 September 2020

ACCOUNTANTS & ADVISORS

Level 21, 307 Queen Street
Brisbane QLD 4000
GPO Box 563
Brisbane QLD 4001
Telephone: +61 7 3229 5100
williambuck.com

CORPORATE GOVERNANCE

Corporate Governance practices that form the basis of a comprehensive system of control and accountability for the administration of the Company have been adopted. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

A description of the Company's current corporate governance practices is set out in the Company's corporate governance statement. This statement is available on the Company's website and can be viewed at www.superiorresources.com.au.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
Operator fees received	21	152,345	-
Other income	8	42,916	712
Accounting and audit fees		(27,810)	(42,980)
Administration expenses		(417,357)	(293,886)
Depreciation and amortisation		(2,352)	(3,469)
Loss on disposal of Tick Hill tenement		-	(226,282)
Loss on disposal of Carnaby Resources Shares		(37,802)	-
Office rent and outgoings		(15,125)	(14,076)
Tenement expenditure written-off	14	<u>(155,915)</u>	<u>(10,377)</u>
Loss before income tax		(461,100)	(590,358)
Income tax (expense) / benefit	9	<u>-</u>	<u>40,985</u>
Loss after tax for the year from continuing operations attributable to owners of Superior Resources Limited		<u>(461,100)</u>	<u>(549,373)</u>
Earnings (loss) per share		Cents	Cents
Basic earnings (loss) per share	28	(0.06)	(0.08)
Diluted earnings (loss) per share	28	(0.06)	(0.08)

The accompanying notes form part of these financial statements.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
Loss for the year from continuing operations attributable to owners of Superior Resources Limited		(461,100)	(549,373)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value gains / (losses) on financial assets at fair value through other comprehensive income, net of tax		(114,497)	135,112
Other comprehensive income for the year, net of tax		(114,497)	135,112
Total comprehensive income / (loss) for the year, net of tax, attributable to owners of Superior Resources Limited		(575,597)	(414,261)

The accompanying notes form part of these financial statements.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	1,004,061	103,745
Trade and other receivables	11	36,851	85,802
Financial assets	12	11,485	17,929
Total Current Assets		<u>1,052,397</u>	<u>207,476</u>
Non-Current Assets			
Financial assets	12	-	1,280,393
Plant and equipment	13	8,382	9,330
Exploration expenditure	14	4,457,027	4,427,456
Other	15	32,500	28,500
Total Non-Current Assets		<u>4,497,909</u>	<u>5,745,679</u>
Total Assets		<u>5,550,306</u>	<u>5,953,155</u>
LIABILITIES			
Current Liabilities			
Payables	16	532,784	586,842
Total Current Liabilities		<u>532,784</u>	<u>586,842</u>
Non-Current Liabilities			
Payables	16	44,666	44,666
Liabilities for restrictions over assets	20	-	1,000,000
Total Non-Current Liabilities		<u>44,666</u>	<u>1,044,666</u>
Total Liabilities		<u>577,450</u>	<u>1,631,508</u>
Net Assets		<u>4,972,856</u>	<u>4,321,647</u>
Equity			
Contributed equity	17	12,202,019	10,975,213
Reserves	18	(3,210,410)	(3,095,913)
Accumulated losses	19	(4,018,753)	(3,557,653)
Total Equity		<u>4,972,856</u>	<u>4,321,647</u>

The accompanying notes form part of these financial statements.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 30 June 2019	10,975,213	(3,095,913)	(3,557,653)	4,321,647
Loss for the year	-	-	(461,100)	(461,100)
Other comprehensive income / (loss)	-	(114,497)	-	(114,497)
Total comprehensive income for the year	-	(114,497)	(461,100)	(575,597)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,226,806	-	-	1,226,806
Balance at 30 June 2020	12,202,019	(3,210,410)	(4,018,753)	4,972,856
Balance at 30 June 2018	10,975,213	(3,231,025)	(3,008,280)	4,735,908
Loss for the year	-	-	(549,373)	(549,373)
Other comprehensive income / (loss)	-	135,112	-	135,112
Total comprehensive income for the year	10,975,213	135,112	(549,373)	(414,261)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	-	-	-	-
Balance at 30 June 2019	10,975,213	(3,095,913)	(3,557,653)	4,321,647

The accompanying notes form part of these financial statements.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

Restricted cash

Restricted cash is excluded from cash and cash equivalents for the consolidated statement of cash flows.

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers (GST inclusive)		156,809	29,878
Receipts from Government		42,831	-
Payments to suppliers and employees (GST inclusive)		(455,339)	(173,209)
Interest received		85	401
Net cash inflow (outflow) from operating activities	27	<u>(255,614)</u>	<u>(142,930)</u>
Cash flows from investing activities			
Proceeds of disposal of investments		190,683	162,042
Proceeds of disposal of plant and equipment		-	1,888
Payments for exploration expenditure		(306,480)	(800,918)
Payments for plant and equipment		(1,404)	(2,205)
Refunds (payments) of security deposits		<u>(4,000)</u>	<u>(500)</u>
Net cash inflow (outflow) from investing activities		<u>(121,201)</u>	<u>(639,693)</u>
Cash flows from financing activities			
Share application moneys received		50,325	-
Proceeds on issue of shares		1,272,588	-
Payment of capital raising costs		(45,782)	-
Net cash inflow (outflow) from financing activities		<u>1,277,131</u>	<u>-</u>
Net increase (decrease) in cash held		900,316	(782,623)
Cash at beginning of financial year		103,745	886,368
Cash at the end of financial year	10	<u><u>1,004,061</u></u>	<u><u>103,745</u></u>

The accompanying notes form part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. General Information

Superior Resources Limited (**Company**) is a company limited by shares, incorporated and domiciled in Australia. The Company's shares are listed on the Australian Securities Exchange.

The registered office and principle place of business of the Company is:

Unit 8, 61 Holdsworth Street
Coorparoo QLD 4151
Ph 07 3847 2887

The financial statements are for the Group consisting of Superior Resources Limited and its subsidiaries (the **consolidated entity** or the **Group**).

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standard Board and in compliance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements were authorised for issue by the Directors on 29 September 2020.

(b) Basis of preparation

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(c) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Parent (Superior Resources Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries or controlled operations is provided in Note 29.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

The acquisition method of accounting is used to account for business combinations by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of financial position, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant Accounting Policies (continued)

(d) Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. Revenue is recognised when the performance obligations of a contract are satisfied.

Interest revenue is recognised using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Cash and cash equivalents

For the consolidated statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Restricted cash

Restricted cash represents cash and cash equivalents where the Group operates the bank accounts and holds cash on behalf of external parties. These funds relate specifically to moneys held with banks and registered in the name of the Group. However, these funds are not legal designated trust accounts. Restricted cash is excluded from cash and cash equivalents for the consolidated statement of cash flows presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant Accounting Policies (continued)

(g) *Financial instruments*

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets will be recognised on the date that the Group becomes contractually bound to the relevant asset purchase or sale transaction (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in paragraph 63 of AASB 15: *Revenue from Contracts with Customers*.

Classification and Subsequent Measurement

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit and loss.

Measurement is on the basis of the two primary criteria, being:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2. Significant Accounting Policies (continued)

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit and loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3 Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for derecognition of financial assets:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. no practical ability to make unilateral decision to sell the asset to a third party).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant Accounting Policies (continued)

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

(h) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Equipment / Software: 3 – 5 years

The asset's residual values and useful lives are reviewed and adjusted if appropriate at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant Accounting Policies (continued)

(j) Exploration expenditure

Expenditure is accumulated separately for each area of interest until such time as the area is abandoned or sold. The realisation of the value of the expenditure carried forward depends on any commercial results that may be obtained through successful development and exploitation of the area of interest or alternatively by its sale. If an area of interest is abandoned or is considered to be of no further commercial interest the accumulated exploration costs relating to the area are written off against income in the year of abandonment. Some exploration expenditure may also be written off where areas of interest are partly relinquished and in cases where uncertainty exists as to the value, provisions for possible diminution in value are established.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area.

The Group held restricted cash held as a result of its role as the Operator under the Earn-in and Joint Venture Agreement (**JVA**) with South32 Group Operations Pty Ltd (South32). As at 30 June 2020, all restricted cash had been expended.

In accordance with the first stage of commitment, South32 must sole-fund an initial \$2 million or 4,000m of drilling within the first 12 months of operations. As at 30 June 2020, South32 had paid \$1.89 million to the Company as the Operator under the JVA to fund the planned exploration operations in accordance with the agreement.

This prepaid amount was held solely for the benefit of South32 in meeting their obligations under the JVA and was held as restricted cash as it is not available to finance the Group's day-to-day operations and therefore has been excluded from cash and cash equivalents for the purposes of the statement of cash flows. All funds held as restricted cash have been cleared at balance date.

In the 2019 financial statements these funds were disclosed as a non-current asset. An offsetting liability was recognised representing the obligation of the Company, as the Operator under the JVA to South32, to meet their first stage of exploration commitments.

(k) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(m) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant Accounting Policies (continued)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(o) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, which are expected to be settled within 12 months after the end of the period in which the employees render the related services, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related services, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(p) Parent entity financial information

The financial information for the parent entity, Superior Resources Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant Accounting Policies (continued)

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(r) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(s) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (for example in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2. Significant Accounting Policies (continued)

(t) Coronavirus (Covid19)

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the activities of the group including services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

3. New and Amended Accounting Standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity adopted AASB 16 during the current year.

AASB 16 does not apply to leases that convey rights to explore for or use minerals, oil, natural gas and similar non-regenerative resources.

The Group and specifically, the Company, is a lessee in respect of two properties:

- Coorparoo Office (Corporate and Operations); and
- Greenvale Residential.

Management has assessed the effects of applying the new standard and has concluded that the above leases are "short term leases" as that term is used in AASB 16. On the basis of this classification, the consolidated entity has elected to adopt the recognition exemption as provided under the standard. As a result, the Group will continue to recognise rental expense payments that relate to the leases as expenses in the Consolidated Statement of Profit or Loss.

There are no other standards that are not yet effective and that are expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

4. Financial Risk Management

The Group's overall risk management plan seeks to minimise potential risks resulting from the unpredictability of financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group are exposed are credit risk, liquidity risk, market risk and cash flow interest rate risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

4. Financial Risk Management (continued)

The Group holds the following financial assets and liabilities:

	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	1,004,061	103,745
Financial assets – restricted cash	-	943,855
Trade and other receivables	36,851	85,802
Financial assets at fair value through other comprehensive income	11,485	354,467
	<u>1,052,397</u>	<u>1,487,869</u>
Financial liabilities		
Trade and other payables	577,450	631,508
	<u>577,450</u>	<u>631,508</u>

Risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Managing Director has been delegated the authority for designing and implementing processes which follow the objectives and policies.

The Board receives monthly reports which provide details of the effectiveness of the processes and policies in place.

(a) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet its financial obligations to the Company.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provision for expected credit loss, as disclosed in the consolidated statement of financial position and notes to the financial statements.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For bank and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

	2020	2019
	\$	\$
Cash at bank and short-term bank deposits	1,004,061	103,745
Financial assets – restricted cash	-	943,855
	<u>1,004,061</u>	<u>1,047,600</u>

Other than cash and cash equivalents, the most significant financial assets are trade and other receivables. The Group does not have any material credit risk exposure to any single debtor or Group of debtors under financial instruments entered into by the Group. There were no past due debts at balance date requiring consideration of impairment provisions.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. No finance facilities were available to the Group at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

4. Financial Risk Management (continued)

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings.

Contractual maturities of financial liabilities At 30 June 2020	Less than 6 months \$	6 – 12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
Trade and other payables	474,229	58,555	44,666	-	-	577,450	577,450
	474,229	58,555	44,666	-	-	577,450	577,450
At 30 June 2019							
Trade and other payables	541,626	45,216	44,666	-	-	631,508	631,508
	541,626	45,216	44,666	-	-	631,508	631,508

(c) **Market risk**

The Group is exposed to equity securities price risk. This arises from securities investments held by the Group in Deep Yellow Limited and Carnaby Resources Limited and classified on the statement of financial position as financial assets. As a result of the disposal of the Carnaby Resources Limited financial asset during the current year, the risk exposure in respect of that asset no longer exists.

The Group is not exposed to any commodity price risk.

The table below summaries the impact of increases and decreases in the Deep Yellow Limited and Carnaby Resources Limited share price on the Group's total comprehensive income and loss for the year and on equity. The analysis is based on the assumption that the share price had increased or decreased by 25% (2019: 25%) from balance date fair value with all other variables held constant.

	Impact on post-tax loss				Impact on reserves			
	2020		2019		2020		2019	
	+25%	-25%	+25%	-25%	+25%	-25%	+25%	-25%
Investment in Deep Yellow Limited	-	-	1,233	(1,233)	2,871	(2,871)	3,250	(3,250)
Investment in Carnaby Resources Limited	-	-	23,137	(23,137)	-	-	60,998	(60,998)

(d) **Cash flow and fair value interest rate risk**

As the Group has no significant interest-bearing assets or borrowings, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

(e) **Fair value measurements**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The net fair value of financial assets and financial liabilities approximates the respective carrying values as disclosed in the consolidated statement of financial position and the notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

5. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

The Group has capitalised non-current exploration expenditure of \$4,457,027 (2019: \$4,427,456).

This amount includes costs directly associated with exploration. These costs are capitalised as an intangible asset until assessment of the permit is complete and the results have been evaluated. These costs include employee remuneration, materials, drilling costs, delay costs, rental payments and payments to contractors. The expenditure is carried forward until such a time as the asset moves into the development phase, is abandoned or sold. Given exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable resources and the difficulty in forecasting cash flows to assess the fair value of exploration expenditure, there is uncertainty as to the carrying value of exploration expenditure. The ultimate recovery of the carrying value of exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the Group's interest in the tenements.

(b) Joint arrangements

The Group undertakes business activities through contractual arrangements with other parties. In assessing the classification of these arrangements for accounting purposes, the Group must first assess whether it has gained control, joint control or a significant influence in the arrangement. A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement in circumstances where decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties. Judgement is required to determine when the Group has control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent.

Judgement is also required to classify a joint arrangement as either a joint operation or a joint venture.

Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. This assessment often requires significant judgement. Whether the arrangement is a Joint Operation or a Joint Venture, may materially impact the accounting.

The Group previously announced the formation of an Earn-in and Joint Venture Agreement with South32 Group Operations Pty Ltd (**JVA**) which is structured through an unincorporated arrangement in accordance with the terms of the JVA. In assessing the facts and circumstances relating to this arrangement, the Group assessed that the arrangement is currently in the earn-in stage and as such, a joint venture had not been formed during or after the reporting period. As a result, accounting for the arrangement was on the basis of considering the individual transactions and expenses incurred under the JVA against the terms and operation of the JVA. This has resulted in restricted assets and liabilities for restrictions over assets being recognised in accordance with policy Note 2(f) for the amounts shown in Note 12 and Note 20.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

6. Going Concern Principle

Notwithstanding that the Group incurred an operating loss after tax of \$461,100 (2019: loss of \$549,373) these financial statements have been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of the consolidated entity to continue as a going concern depends on one or more of the following:

- achieving sufficient future cash flows from operations to enable its obligations to be met;
- the success of cost saving initiatives, which include entering into Joint Venture arrangements and reducing tenement areas, so as to reduce the carrying and expenditure costs for tenements;
- cash flows from the sale of any of the Group's assets; and
- obtaining additional funding from capital raising activities.

The Directors acknowledge that to continue the exploration and development of the Group's exploration projects, the budgeted cash flows from operating and investing activities for the future will necessitate further capital raisings. In addition, the Directors have agreed to retain between 35% and 50% of their salary payments in the interests of assisting the consolidated entity's ability to continue as a going concern.

At the date of this Report and having considered the above factors, the Directors consider that the Group will be able to continue as a going concern and will be able to pay its debts as and when they fall due and payable.

In the event that the Group is unable to satisfy future funding requirements, a material uncertainty would exist that would cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may be required to realise its assets at amounts different from those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for costs which may arise as a result of cessation or curtailment of normal business operations.

7. Segment Information

The Group operates solely within one segment, being the mineral exploration industry in Australia.

8. Other Income

		2020	2019
		\$	\$
Interest		85	401
Insurance claim		-	311
Government grants – Covid:	Jobkeeper	12,000	-
	Cash flow boost	30,831	-
		<u>42,916</u>	<u>712</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

9. Income Tax

	2020	2019
	\$	\$
(a) Numerical reconciliation of income tax expense / (benefit) to prima facie tax payable:		
Profit (loss) from continuing operations before income tax expense	(461,100)	(590,358)
Tax at the Australian tax rate of 27.5%	(126,803)	(162,348)
Tax effect of permanent differences	(8,457)	26,963
Temporary differences not recognised	135,260	94,400
Income tax expense / (benefit)	-	(40,985)
(b) Tax adjustment relating to items of other comprehensive income		
Financial assets - fair value adjustment	-	(40,985)
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	12,424,397	7,612,563
Potential tax benefit @ 27.5%	3,416,709	2,093,455
(d) Franking credits		
Franking credits available for use in subsequent financial year	251,146	251,146

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

	2020 \$	2019 \$
10. Cash and Cash Equivalents		
Cash at bank and on hand	1,004,061	103,745
11. Trade and Other Receivables		
CURRENT		
Other receivables	10,771	-
Prepayments	26,080	85,802
	<u>36,851</u>	<u>85,802</u>
12. Financial Assets		
CURRENT		
Deep Yellow Limited ¹		
Investments in listed equity securities designated at fair value through other comprehensive income	11,485	17,929
NON-CURRENT		
Carnaby Resources Limited ¹		
Investments in listed equity securities designated at fair value through other comprehensive income	-	336,538
Restricted Cash – Prepaid contributions from earn-in participant ²	-	943,855
	<u>-</u>	<u>1,280,393</u>
Total financial assets	<u>11,485</u>	<u>1,298,322</u>

¹ *Listed equity securities*

The investment in listed equity securities are stated at fair value. AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by the level of the following fair value measurement hierarchy:

- 1) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability;
- 3) Level 3 – Inputs for the asset or liability that are not based on observable market data.

The listed equity securities are traded in an active market, being the Australian Securities Exchange, and consequently they are measured as a Level 1 instrument on the fair value hierarchy. The quoted market price, used to determine the value of these securities, is the bid price at balance date.

² *Restricted Cash – Nicholson Project*

The Group has \$0 (2019: \$943,855) in restricted cash held as a result of its role as the Operator under the Earn-in and Joint Venture Agreement (JVA) with South32 Group Operations Pty Ltd (South32), dated 28 May 2019, which terminated in February 2020. All transactions under the JVA have been finalised as at 30 June 2020 and the company has earned an operator fee of \$152,345.

In accordance with the first stage of commitment, South32 was required to sole-fund an initial \$2 million or 4,000m of drilling within the first 12 months of operations. As at 30 June 2020, South32 had contributed \$1,876,889 to the Company in its capacity as the Operator under the JVA, to fund the planned exploration operations in accordance with South32's first stage of commitments.

This prepaid amount was used solely for the benefit of South32 in meeting its obligations under the JVA, in accordance with the policy described in Note 2(f), and was held as restricted cash as it is not available to finance the Group's day-to-day operations. These funds have been excluded from cash and cash equivalents for the purposes of the statement of cash flows. The funds have been disclosed as a non-current asset in 2019 with an offsetting liability recognised representing the obligation of the Company, in its capacity as the Operator, to undertake exploration work under the Stage 1 earn-in terms. Refer to Note 21 for further information.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

13. Plant and Equipment

	2020	2019
	\$	\$
NON-CURRENT		
Equipment / software – at cost	86,740	85,337
Accumulated depreciation	(78,358)	(76,007)
	<u>8,382</u>	<u>9,330</u>
	Equipment / Software	
	\$	
Year ended 30 June 2020		
Opening net book amount	9,330	
Additions	1,403	
Depreciation charge	(2,351)	
Closing net book amount	<u>8,382</u>	
Year ended 30 June 2019		
Opening net book amount	12,482	
Additions	-	
Depreciation charge	(3,152)	
Closing net book amount	<u>9,330</u>	

14. Exploration Expenditure

	2020	2019
	\$	\$
Exploration phase property costs		
Deferred geological, geophysical, drilling and other expenditure – at cost		
Non-current	4,457,027	4,427,456
Total capitalised exploration expenditure	<u>4,457,027</u>	<u>4,427,456</u>
The capitalised exploration expenditure carried forward above has been determined as follows:		
Opening balance	4,427,456	3,963,615
Expenditure incurred during the year	1,910,116	921,912
Disposal of assets classified as held for sale	-	(447,694)
Tenement expenditure written-off	(155,915)	(10,377)
Derecognition of South 32 contributions	(1,724,630)	-
Closing balance	<u>4,457,027</u>	<u>4,427,456</u>

Exploration expenditure incurred during the year includes an amount of \$1,603,636 (2019: \$120,994) contributed by the Joint Venture participant, South32 Group Operations Pty Ltd in relation to the Nicholson Project under the Earn-in and Joint Venture Agreement, dated 28 May 2019. The agreement was terminated 4 March 2020. Refer to Notes 12, 20 and 21 for further information.

15. Non-Current Assets – Other

	2020	2019
	\$	\$
Security deposits	<u>32,500</u>	<u>28,500</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

16. Payables

	2020 \$	2019 \$
Current liabilities		
Trade payables and accrued expenses	114,154	253,515
Other payables – application money	50,325	-
Other payables - ATO	7,547	43,571
Other payables – related party (i)	302,203	244,540
Employee entitlements	58,555	45,216
	<u>532,784</u>	<u>586,842</u>
Non-current liabilities		
Other payables – related party (ii)	44,666	44,666
	<u>44,666</u>	<u>44,666</u>
Total Payables	<u>577,450</u>	<u>631,508</u>

(i) These amounts represent the unpaid Directors' remuneration that may be called within the next 12 months. The liability is unsecured and no decision has been made by the Directors on the timing or nature of the consideration to be provided in settlement.

(ii) These amounts represent the unpaid Directors' remuneration for periods to 30 June 2016. The Directors have agreed that they will not call upon the payment of this balance outstanding for a period of not less than 12 months from the date of this Report.

17. Contributed Equity

	2020 \$	2019 \$
1,016,614,718 (2019: 688,043,740) ordinary shares fully paid	<u>12,202,019</u>	<u>10,975,213</u>

(a) Movements in ordinary share capital

<i>Date</i>	<i>Details</i>	<i>Number of shares</i>	<i>Issue price \$</i>	<i>\$</i>
At 30 June 2018	Balance	688,043,740		10,975,213
	Shares issued	-		-
At 30 June 2019	Balance	688,043,740		10,975,213
31 July 2019	Shares issued	57,375,000	0.008	459,000
27 May 2020	Shares issued	111,812,810	0.003	335,438
25 June 2020	Shares issued	159,383,168	0.003	478,150
	Share issue cost			(45,782)
At 30 June 2020		<u>1,016,614,718</u>		<u>12,202,019</u>

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll, each share is entitled to one vote.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

17. Contributed Equity (continued)

(c) Share options

<i>Date</i>	<i>Details</i>	<i>Number of options</i>	<i>Weighted Average Exercise Price \$</i>	<i>Expiry</i>
At 30 June 2018	Balance	140,935,925	0.02	31-Aug-19
17 October 2018	Options issued	10,000,000	0.03	31-Aug-19
30 June 2019	Options expired	(37,375,000)	0.03	31-Aug-19
At 30 June 2019	Balance	113,560,925	0.03	
31 August 2019	Options expired	(113,560,925)	0.03	
25 June 2020	Options issued	53,127,722	0.006	31-Dec-21
At 30 June 2020	Balance	53,127,722		

The lead manager to the share placement and rights issue undertaken in June received 15 million options (post year end), having the same terms as options issued under the placement and rights issue at no consideration.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group includes cash and cash equivalents, equity attributable to equity holders comprising of contributed equity, reserves and accumulated losses. In order to maintain or adjust the capital structure, the Group may issue new shares, sell assets to reduce debt or adjust the level of activities undertaken by the Company.

The Group monitors capital on the basis of cash flow requirements for corporate overheads, exploration and evaluation expenditure. The Group's exposure to borrowings as at 30 June 2020 totals \$nil (2019: \$nil). The Group will continue to access capital markets and joint venture arrangements to satisfy anticipated funding requirements.

The Group's strategy to capital risk management is unchanged from prior years.

18. Reserves

	2020 \$	2019 \$
Financial assets revaluation reserve	(3,210,410)	(3,095,913)
At beginning of year	(3,095,913)	(3,231,025)
Realised gains/(losses) on disposals	-	28,180
Revaluation increment / decrement	(114,497)	147,917
Income tax @ 27.5%	-	(40,985)
At end of year	(3,210,410)	(3,095,913)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

19. Accumulated Losses

	2020	2019
	\$	\$
Accumulated losses	(4,018,753)	(3,557,653)
At beginning of year	(3,557,653)	(3,008,280)
Net loss for the year	(461,100)	(549,373)
At end of year	(4,018,753)	(3,557,653)

20. Liabilities for Restrictions Over Assets

Contribution received from South32	-	1,000,000
------------------------------------	---	-----------

Liabilities for restrictions over assets represents contributions in advance from earn-in participant South32, representing part of their first stage commitment under the Earn-in and Joint Venture Agreement (**JVA**) to sole fund the planned exploration operations in respect of the Nicholson Project. In the event that South32 satisfies the Stage 1 and Stage 2 earn-in requirements under the JVA, the liabilities for restrictions over assets will be settled by the Company with the divestment of 70% of its interest in the Project. An explanation of the JVA and exploration commitments under the JVA are set out below.

The JVA was terminated by South32 on 4th March 2020 without satisfaction of the Stage 1 or Stage 2 earn-in requirements.

21. Joint Venture Entities

Nicholson Project

The Company entered into an earn-in and joint venture agreement (**JVA**) with South32 Group Operations Pty Ltd on 28 May 2019 (**South32**) in respect of the Nicholson Project. Under the terms of the JVA, South32 may earn an interest of up to 80% in the Project by satisfying the following requirements:

- Stage 1: South32 must sole-fund an initial \$2,000,000 or 4,000m of drilling (whichever comes first) within the first 12 months of operations;
- Stage 2: provided South32 completes Stage 1, it will have a right to elect to proceed to Stage 2 to earn a 70% interest in the Project by sole-funding an additional \$4,000,000 on exploration within a further four years; and
- Stage 3: provided South32 completes Stage 2, it will have a right to earn an additional 10% interest in the Project by sole-funding a feasibility study.

The Company was the JV operator during Stages 1 and 2 of joint venture operations which commenced with the drilling of the first diamond core hole on 27 July 2019. As Operator, the Company will receive contributions from South32 to fund the exploration commitments under the JVA and a fee equal to 10% of exploration expenditure (total operator fees earned in 2020 was \$152,345 (2019: \$nil)). Exploration expenditure incurred on behalf of South32 will be capitalised to the Nicholson Project tenements and any unspent funds will be held as Restricted Cash and separated from cash flow from operations of the Company. As at 30 June 2020, the contributions received and spent on exploration of the Nicholson Project tenements and the related liabilities for restrictions over assets are summarised in the table below.

The earn-in and JVA was terminated by South 32 on 4 March 2020 without satisfaction of the Stage 1 or Stage 2 earn-in requirements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

21. Joint Venture Entities (continued)

		2020 \$	2019 \$
Restricted cash – prepaid contributions from South32	12	-	943,855
Exploration expenditure by South32 - capitalised		-	120,994
JVA creditors		-	(64,849)
Liabilities for restrictions over assets – total contribution from South32		-	1,000,000

22. Key Management Personnel Disclosures

(a) Key management personnel compensation

	2020 \$	2019 \$
Short-term employee benefits	293,703	294,616
Post-employment benefits	23,342	23,429
	317,045	318,045

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 12.

At 30 June 2020, \$346,869 (2019 \$289,206) remains payable.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

There have been no options granted affecting remuneration in the current or a future reporting period.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of the Company and other key management personnel of the Group, including their personally related parties, is set out below.

Name	Balance at the start of the year	Options Exercised	Net purchased / (sold)	Other changes	Balance at the end of the year
Directors of Superior Resources Limited					
P H Hwang	3,332,346	-	3,899,717	(3,332,346) ³	3,899,717
C A Fernicola	3,562,499	-	3,993,053	(3,562,499) ³	3,993,053
K J Harvey ¹	3,119,304	-	3,465,893	(3,119,304) ³	3,465,893
S J Pooley ²	-	-	-	-	-

¹ Retired 28 November 2019

² Appointed 28 November 2019

³ Options expired during the year

All options are vested and exercisable.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

22. Key Management Personnel Disclosures (continued)

(iii) Share holdings

The number of ordinary shares in the company held during the financial year by each Director of Superior Resources Limited and other key management personnel of the Group, including their personally related parties, is set out below.

2020	<i>Balance at the start of the year</i>	<i>Received on exercising options</i>	<i>Net purchased / (sold)</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>
<i>Name</i>					
Directors of Superior Resources Limited					
P H Hwang	35,097,467	-	11,699,154	-	46,796,621
C A Fernicola	35,624,999	-	12,374,999	-	47,999,998
K J Harvey ¹	31,193,040	-	10,397,679	-	41,509,719
S J Pooley ²	1,250,000	-	-	-	1,250,000

¹ Retired 28 November 2019

² Appointed 28 November 2019

2019	<i>Balance at the start of the year</i>	<i>Received on exercising options</i>	<i>Net purchased / (sold)</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>
<i>Name</i>					
Directors of Superior Resources Limited					
P H Hwang	35,097,467	-	-	-	35,097,467
C A Fernicola	35,624,999	-	-	-	35,624,999
K J Harvey	31,193,040	-	-	-	31,193,040

23. Remuneration of Auditors

During the year, the following fees were paid or payable for services provided by the auditor, its related practices and non-related audit firms:

	2020	2019
	\$	\$
<i>PKF Brisbane Audit</i>		
Audit or review of financial report	17,000	40,500
<i>William Buck (Qld)</i>		
Audit of financial report	15,000	-
	<u>32,000</u>	<u>40,500</u>

24. Contingencies

There are no contingent liabilities affecting the Group as at the date of this Report.

25. Commitments

(a) Exploration commitments

So as to maintain current rights to tenure of various exploration and mining tenements, the Company is required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. These outlays (exploration expenditure and rent), which arise in relation to granted tenements, including in relation to tenement applications that were granted after 30 June 2020, are as follows:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

25. Commitments (continued)

	2020	2019
	\$	\$
Exploration expenditure commitments		
Commitments for payments under exploration permits for minerals in existence at the reporting date but not recognised as liabilities payable is as follows:		
Payable within one year	1,171,269	1,118,970
Payable between one and five years	2,428,696	1,962,518
	<u>3,599,965</u>	<u>3,081,488</u>

Outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished or certain contractual arrangements are entered into with third parties (e.g. a farm-in or joint venture arrangement). Cash security bonds totalling \$32,500 (2019: \$28,500) are currently held by the relevant governing authorities to ensure compliance with granted tenement conditions.

26. Events Occurring After Balance Date

Since the end of the financial year, the Group raised \$366,530 through the issue of 122,176,641 new shares at a value of \$0.003 per share. A total of 77,996,452 free attaching options with an exercise price of \$0.006 and an expiry date of 31 December 2021 were also issued since the end of the financial year under the capital raising exercise.

In addition, 15,000,000 options with an exercise price of \$0.006 and an expiry date of 31 December 2021 were issued to the lead manager as part consideration for their role in the above capital raising.

No other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of the operations or the state of affairs of the Group in financial years subsequent to 30 June 2020.

27. Reconciliation of Loss After Income Tax to Net Cash Flows From Operating Activities

	2020	2019
	\$	\$
Loss for the year after income tax	(461,100)	(549,373)
Depreciation and amortisation	2,352	3,469
Loss on disposal of tenement	-	226,282
Tenement expenditure written off	155,915	10,377
Loss on disposal of Carnaby Resources Limited shares	37,802	-
Income tax	-	(40,985)
<i>Changes in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(10,771)	-
(Increase) / decrease in prepayments	59,722	(21,877)
Increase/(decrease) in trade payables	(74,512)	77,102
Increase/(decrease) in other payables - current	21,639	141,403
Increase/(decrease) in employee entitlements	13,339	10,672
Net cash outflow from operating activities	<u>(255,614)</u>	<u>(142,930)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

28. Earnings (loss) Per Share

	2020 Cents	2019 Cents
(a) Basic earnings (loss) per share		
Profit (loss) attributable to the ordinary equity holders of the company	<u>(0.06)</u>	<u>(0.08)</u>
(b) Diluted earnings (loss) per share		
Profit (loss) attributable to the ordinary equity holders of the company	<u>(0.06)</u>	<u>(0.08)</u>
	2020 \$	2019 \$
(c) Reconciliations of earnings (loss) used in calculating earnings per share		
Basic earnings (loss) per share		
Profit (loss) attributable to ordinary equity holders of the company used in calculating basic earnings per share	<u>(461,100)</u>	<u>(549,373)</u>
Diluted earnings(loss) per share		
Profit (loss) attributable to ordinary equity holders of the company used in calculating diluted earnings per share	<u>(461,100)</u>	<u>(549,373)</u>
	2020 Number	2019 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings (loss) per share	753,123,457	688,043,740
Adjustments for calculation of diluted earnings (loss) per share:		
Options	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings (loss) per share	<u>753,123,457</u>	<u>688,043,740</u>

Unissued ordinary shares under option are not included in the calculation of diluted earnings per share because they are antidilutive for the years ended 30 June 2020 and 30 June 2019. These shares under option could potentially dilute basic earnings per share in the future.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

29. Related Party Disclosures

(a) Parent entity

The parent entity within the Group is Superior Resources Limited.

(b) Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The % ownership interests held equals the voting rights held by the Group.:

	Country of incorporation	Principal Place of Business	% ownership interest Held by the Group		Investment	
			2020	2019	2020 \$	2019 \$
Subsidiaries						
Superior Gold Pty Ltd	Australia	Australia	100	100	1,000	1,000

(c) Joint Agreement

	Country of incorporation	Principal Place of Business	% ownership interest Held by the Group		Investment	
			2020	2019	2020 \$	2019 \$
Hedley's Joint Venture (Nicholson Project) - Note 21	Unincorporated	Australia	-	100	-	-

(d) Key management personnel

Disclosures relating to key management personnel are set out in Note 22.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

30. Parent Entity Information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2020	2019
	\$	\$
Statement of financial position		
Assets		
Current assets	1,037,845	227,200
Non-current assets	4,498,909	4,702,153
Total assets	<u>5,536,754</u>	<u>4,929,353</u>
Liabilities		
Current liabilities	511,842	556,464
Non-current liabilities	44,666	44,666
Total liabilities	<u>556,508</u>	<u>601,130</u>
Net assets	<u>4,980,246</u>	<u>4,328,223</u>
Shareholders' equity		
Issued capital	12,202,019	10,975,213
Reserves	(3,210,410)	(3,095,913)
Accumulated losses	<u>(4,011,363)</u>	<u>(3,551,077)</u>
	<u>4,980,246</u>	<u>4,328,223</u>
Statement of profit or loss and other comprehensive income		
Loss for the year	(460,286)	(548,112)
Other comprehensive income/(loss) net of tax	(114,497)	135,112
Total comprehensive income/(loss) for the year	<u>(574,783)</u>	<u>(413,000)</u>

(b) Contingent liabilities and commitments of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

The commitments of the parent entity are as disclosed at Note 25 for the Group.

DIRECTORS' DECLARATION

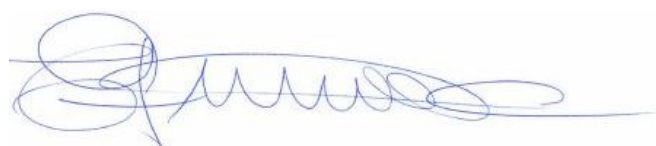
In the Directors' opinion:

1. the financial statements and notes set out on pages 16 to 45, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
2. having regard to note 6 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer/chief financial officer as required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read 'CA Fernicola', with a long horizontal flourish extending to the right.

CA Fernicola
Chairman

Brisbane, 29th September 2020

Superior Resources Limited

Independent auditor's report to the members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Superior Resources Limited (the Company and its subsidiaries (the **Group**)), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (*including Independence Standards*) (the **Code**) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 6 in the financial report, which indicates that the Group incurred a net loss after tax of \$461,100 during the year ended 30 June 2020 and had net cash outflows from operations of \$255,614. As stated in Note 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

ACCOUNTANTS & ADVISORS

Level 21, 307 Queen Street
Brisbane QLD 4000
GPO Box 563
Brisbane QLD 4001
Telephone: +61 7 3229 5100
williambuck.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CARRYING VALUE OF EXPLORATION COSTS	
Area of focus	How our audit addressed it
Refer also to note 14	
<p>Capitalised exploration and evaluation assets represent over 74% of the Group's total assets. The carrying value of exploration and evaluation assets is impacted by the Group's ability, and intention, to continue to explore and evaluate these assets. The results of these activities then determine the extent to which it may or may not be commercially viable to develop and extract identified reserves.</p> <p>Due to the significance of this asset and the subjectivity involved in determining its carrying value and recoverable amount, this is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — A review of the Directors' assessment of the criteria for the capitalisation of exploration and evaluation expenditure and their assessment of whether there are any indicators of impairment to capitalised costs; — Considering the Group's intention and ability to continue activities necessary to support a decision to develop the exploration and evaluation assets, which included an assessment of the Group's ability to fund such activities and a review of their future budgets; — Performing an assessment of whether any indicators of impairment existed in line with requirements of Australian Accounting Standards, including a review of the integrity of tenement title status and total commitments value; and — We assessed the adequacy of the Group's disclosures in respect of the carrying value of exploration costs.

Other Information

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Superior Resources Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck (Qld)
ABN 21 559 713 106

Junaide Latif

Junaide Latif
Director

Brisbane, 29 September 2020