



SUPERIOR LAKE

R E S O U R C E S

ABN 64 139 522 553

Annual Report

for the financial year ended 31 December 2018

Corporate Information

ABN 64 139 522 553

Directors

Mr Keong Chan (Non-Executive Chairman)

Mr Grant Davey (Executive Director)

Mr Peter Williams (Non-Executive Director)

Company Secretary

Mr Stuart McKenzie

Registered Office and Principal Place of Business

Level 1 Emerald House

1202 Hay Street

WEST PERTH WA 6005

Tel: (08) 6117 0479

Share Registry

Automic Registry Services

Level 5, 126 Philip Street

Sydney NSW 2000

Tel: +61 2 9698 5414

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd

London House,

Level 3, 216 St Georges Terrace,

PERTH WA 6000

Tel: (08) 9226 4500

Fax: (08) 9226 4300

Website

www.superiorlake.com.au

Securities Exchange Listing

Superior Lake Resources Limited (SUP) shares are listed on the Australian Securities Exchange.

Contents

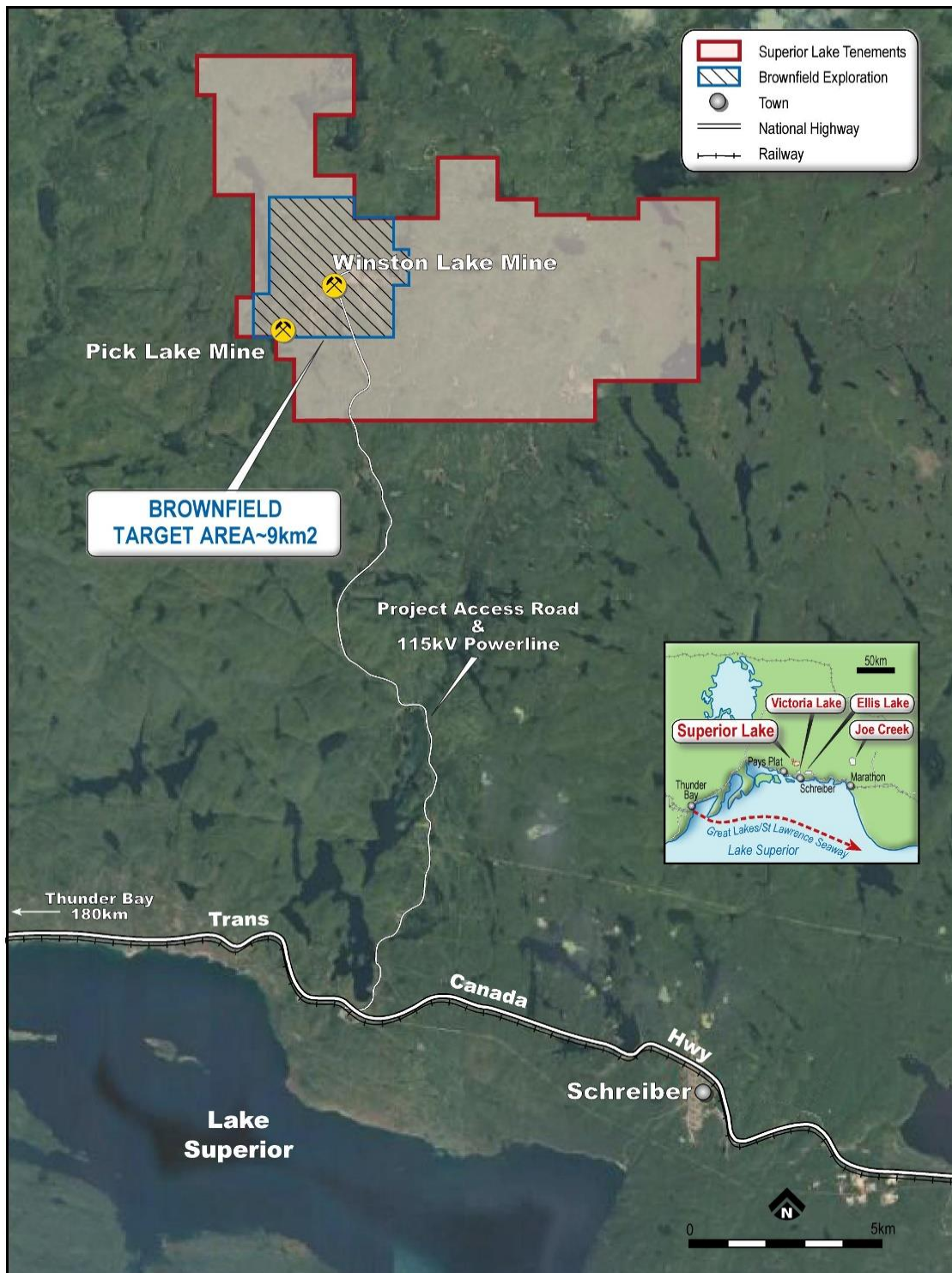
Review of Operations	3
Mineral Resource Statement	10
Directors' Report	11
Auditor's Independence Declaration	20
Financial Report	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Consolidated Notes to the Financial Statements	25
Directors' Declaration	48
Independent Auditor's Report	49
ASX Additional Information	55

Review of Operations

Superior Lake Zinc Project, Ontario, Canada

The Superior Lake Zinc Project ("Project") is located around 200 kms east of Thunder Bay in the province of Ontario, Canada. The Project covers an area of 175km² and consists of two deposits – Winston Lake and Pick Lake. Historically the Project was the highest grade zinc operation in Canada, prior to its closure in 1998 due to a sustained period of low zinc prices. The historical operation has provided a number of infrastructure advantages including underground mine development, tailing as well as significant supporting infrastructure, as highlighted in Image 1 below.

Image 1: Map of the Superior Lake Zinc Project



Superior Lake Resources Limited - Annual Report

Highlights for Superior Lake during the year

- Positive Re-Start Study which outlined a low operating and capital cost zinc operation producing 46,000tpa of contained zinc metal
- Inaugural JORC Mineral Resource
- Commenced maiden brownfields exploration program
- First drill program in 20 years
- Updated JORC Mineral Resource - 2.35 Mt @ 17.7 % Zn, 0.9% Cu, 0.38 g/t Au and 34 g/t Ag
- Identified three major mineralised anomalies via FLTEM program
- Raised \$5 million via a placement to Professional and Sophisticated investors

Re-start Study

In October 2018, the Company successfully completed a Re-start Study ("Study") for the Project which confirmed Superior Lake as a low operating and capital cost operation that could produce 46,000 tpa of contained zinc metal. The stand out feature of the study was the exceptional high grade of the ore mined, which is the driver for the Project. The outstanding results from this study gave the Board confidence to advance the Project towards a Definitive Feasibility Study ("DFS"), which remains on track to be completed by mid-2019.

Table 1: Re-start Study Summary

Description ¹	Units	Value (approx.)
Mining tonnage	tonnes	2,000,000
Plant throughput	tpd	1,000
Plant head grade	% Zn	14.1%
Plant head grade	% Cu	0.66%
Zn Con production (steady state)	tpa	88,000
Cu Con production (steady state)	tpa	6,700
Life of mine	years	6.5
Start-up capital ²	US\$	75 million
LOM opex	US\$/lb Zn	0.51
NPV at 10% - pre-tax	USD \$164.8 million	AUD \$219.7 million ³
NPV at 10% - post tax	USD \$118.9 million	AUD \$158.5 million ³
IRR at 10% - pre-tax	56%	
IRR at 10% - post tax	48%	

¹ Please refer Restart Study announcement titled "Outstanding study confirms Superior Lake as low-cost zinc project" dated 10 October 2018. The Restart Study uses a portion of Inferred Resources (5%) over the life of mine, there is a low level of geological confidence associated with inferred resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

² Estimate is accurate to +/- 35% and includes a 25% contingency

³ Exchange rate of US \$: A\$0.75

⁴ The Company confirms that all the material assumptions underpinning the production targets, or the forecast financial information derived from the production target, continue to apply and have not materially changed.

Brownfields Exploration

Prior to the Company's acquisition of the Project in early 2018, very little exploration had been completed at the Project in more than 20 years, and no exploration using modern techniques. Superior Lake identified this as a major opportunity for the Company to explore for additional deposits whilst utilising the vast existing infrastructure.

The Company commenced their brownfield exploration program in 2018, incorporating multiple modern exploration techniques, many used for the first time at the Project. This program has initially focused only a small portion (9km²) of the total Project area (175km²), as it remains high prospectively as it hosts two known high-grade VMS deposits (Winston Lake and Pick Lake), whilst only limited historical exploration has been completed.

Any new discovery in this area will more easily be able to utilise existing and planned new infrastructure at the Project following the redevelopment which remains on track to commence in 2020.

This brownfields program has included the following.

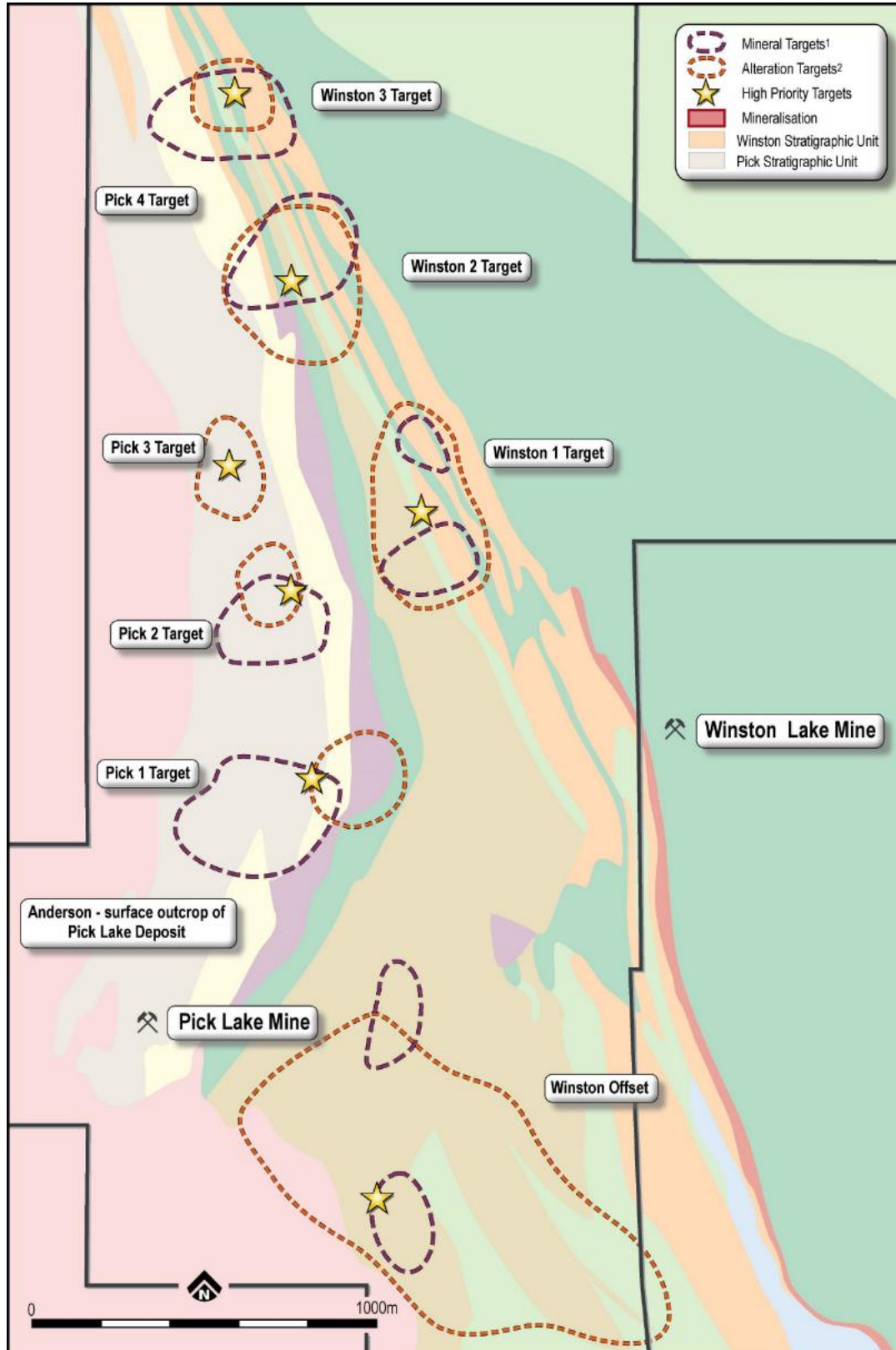
- Structural and lithogeochemical program

Superior Lake Resources Limited - Annual Report

- Drill program and DHTM - Pick Lake deposit
- High powered, FLTEM geophysics program testing identified and unknown targets.

The Structural and lithogeochemical program identified two distinct mineralised stratigraphic intervals that host the Pick and Winston Deposits. Superior Lake used airborne electromagnetic anomalies as a lead indicator to the possible location of alteration. Inspection in the field of these AEM anomalies and observation of mineralogy followed by litho-geochemical assays of rock samples, confirmed the alteration as VMS style. In total seven priority targets were identified from this program as highlighted in Image 2 below.

Image 2: High priority targets identified from structural and lithogeochemical program



Notes:

1. *Mineral Targets – Identifies potential VMS Alteration – defining zones of iron enrichment, sodium depletion and potassium and magnesium enrichment*
2. *Whole Rock Alteration – Identifies potential VMS Alteration –Alteration Index (AI), Chlorite Carbonate Pyrite Index (CCP) and Sericite Index (ratio of AI to CCP).*

Following the Structural and lithogeochemical program, the Company commenced the first drill program at the Project in more than 20 years targeting the Pick Lake deposit. Pick Lake was historically defined in three sub areas – Upper Pick, Mid Pick and Lower Pick. Whilst the Upper and Lower Pick areas have been intensively drilled from underground, Mid-Pick required additional drilling to define a defined resource.

Image 3: Drilling at Pick Lake



The Company completed a 1,750m drilling program at Mid Pick which confirmed the continuity and grade at Mid Pick. Results from this program included the following.

- PL-18-01 1.56m @ 20.12% Zn and 0.80% Cu¹
- PL-18-01A-W1 1.0m @ 4.78% Zn and 0.18% Cu¹
- PL-18-01A-W3 3.7m @ 5.95% Zn and 0.28% Cu, inclusive of 1.0m 15.95% Zn and 0.58% Cu¹

Subsequently the Company increased the Mineral Resource at the Project to 2.35 Mt at 17.7 % Zn, 0.9% Cu². This represented an increase of approximately 10% to the size of the resource compared to that previously reported on 3 July 2018. The Superior Lake resource estimate, as at 6 March 2019, is shown in Table 2 is classified in accordance with Canadian Institute of Mining, Metallurgy and Petroleum and JORC 2012.

¹ ASX announcements on 18 December 2018 and 7 March 2019. The Company is not aware of any new information or data that materially affects the information included in the relevant announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original announcements.

² ASX announcement on 7 March 2019. The Company is not aware of any new information or data that materially affects the information included in the relevant announcement and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in the announcement continue to apply and have not materially changed.

Superior Lake Resources Limited - Annual Report

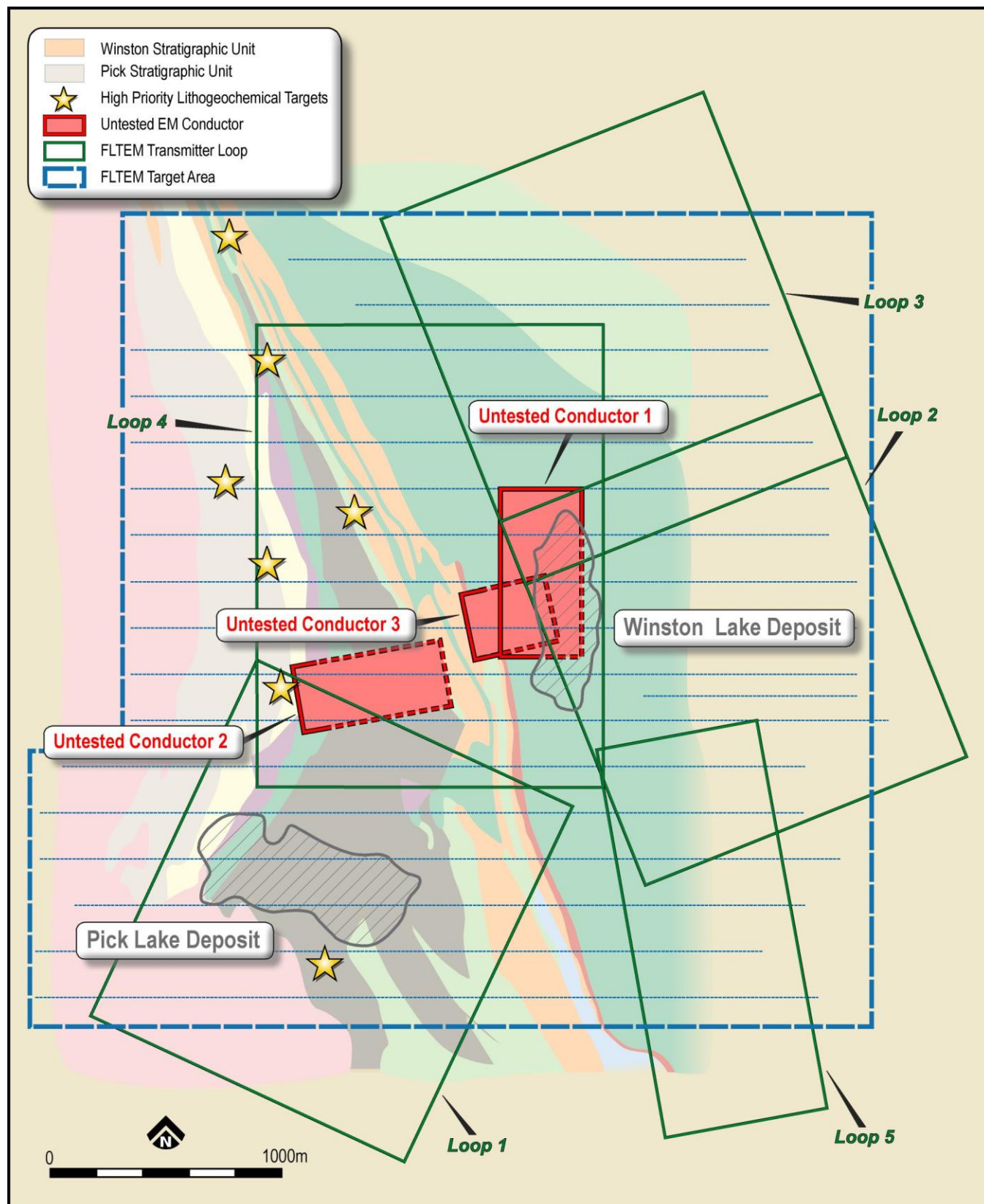
Table 2: Superior Lake Mineral resource at 3% cut-off grade²

Classification	Tonnage (Mt)	Zn %	Cu %	Au g/t	Ag g/t
Pick Lake					
Indicated	1.78	19.2%	0.9%	0.30 g/t	36 g/t
Inferred	0.27	16.4%	1.0%	0.30 g/t	38 g/t
Total - Pick Lake	2.05	18.8%	0.9%	0.30 g/t	36 g/t
Winston Lake					
Indicated	0.29	10.4	0.7	0.90	18
Inferred	0.01	8.9	0.6	0.50	12
Total - Winston Lake	0.30	10.4	0.7	0.88	18
Superior Lake					
Indicated	2.07	18.0	0.9	0.38	34
Inferred	0.28	16.2	1.0	0.31	37
Total - Superior Lake	2.35	17.7	0.9	0.38	34

Following the drill program, a Down the Hole Transient Electromagnetics (“DHTEM”) program was completed at Pick Lake. As Pick Lake is a known deposit, this was simply a “test case” to confirm EM could successfully identify the deposit. The results were positive as Pick Lake was clearly identified, thereby increasing the Company’s confidence that electromagnetics is the correct technique for identifying new anomalies at Superior Lake.

The DHTEM program was subsequently followed by a surface Fixed Loop Electromagnetics (“FLTEM”) program, incorporating 5 transmitting loops over a 3km x 3km area using state of the art transmitter and sensor technology with the location of the Loops and the three major anomalies identified as highlighted in Image 4 below.

Image 4: Location of major mineralised anomalies identified through FLTEM program



The Loop 1 survey covering the Pick Lake deposit was designed to verify the effectiveness of the FLTEM technique over known mineralisation, where earlier DHTeM surveying had established that the deposit forms a moderately strong conductor. The survey was also intended to detect any significant undiscovered mineralisation in the vicinity of the Pick Lake deposit but this was not achieved. The positive result over Pick Lake, where the top of the resource is approximately 400m below surface instilled confidence that the technique could be used to explore cheaply and effectively within the Project.

Results of the Loop 2 survey were announced in an ASX release dated 20 March 2019 ("Major geophysics anomaly identified adjacent to Winston Lake deposit and existing UG infrastructure"). This survey covered the Winston Lake deposit and prospective stratigraphy immediately to the north and south as well as down-dip. A large conductor located below the existing mine was detected and this will form a focus for further work including drilling and DHTeM surveying.

The Loop 4 survey results highlight two additional targets: a shallow conductor in the footwall to the Winston Lake orebody, which appears to be co-planar with the deep conductor detected by Loop 2, and a conductor located to the north of the Pick Lake orebody that is supported by the "Pick 1" alteration/lithogeochemical target described in the ASX release dated 30th January, 2019 ("Multiple near-mine zinc targets identified"). Identification of a strong conductor within a geological environment confirmed as favourable for VMS mineralization by geochemistry and alteration mapping is a significant development.

The Loop 3 and Loop 5 surveys did not detect any new significant conductors.

Corporate Activity

Following completion of the Project in February 2018, Mr Grant Davey and Mr Peter Williams were appointed as Executive Director and Non-Executive Director respectively. Mr David Woodall was appointed as Chief Executive Officer on 9 April 2018 and on 14 September 2018, Mr Keong Chang was appointed Non-Executive Chairman, having previously been a Non-Executive Director and Company Secretary.

During the year, the Company successfully completed two placements:

- In February 2018, an amount of \$2.5 million was raised as part of the acquisition by way of a Placement to institutional and sophisticated investors at a price of \$0.011 per share; and
- In August 2018, an amount of \$5 million was raised by way of a Placement to institutional and sophisticated investors at a price of \$0.035 per share. The Placement was completed at a premium to the closing share price prior to announcement. Tribeca Investment Partners Pty Ltd acted as a cornerstone investor under the Placement.

Mineral Resource Statement

The following information is provided in accordance with Listing Rule 5.21.

Mineral Resource Estimation Governance Statement

The Company ensures that the Mineral Resource estimates are subject to appropriate levels of governance and internal controls. The Mineral Resources have been generated by employees and consultants of the Company who are experienced in best practices in modelling and estimation methods and have undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimations. The Mineral Resource estimates follow standard industry methodology using geological interpretation and assay results from samples won through drilling.

Superior Lake reports its Mineral Resources in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code) (2012 Edition). Competent Persons named by the Company qualify as Competent Persons as defined in the JORC Code.

The Company notes that there was no JORC Mineral Resource as at 31 December 2017. The tables below set out Mineral Resources for the Superior Lake Project in Ontario, Canada as at 31 December 2018 and, following an upgrade to the Mineral Resource on 7 March 2019, as at the date of this Report.

Superior Lake Total Mineral Resource at 3% cut-off grade as at 31 December 2018

Classification	Tonnage (Mt)	Zn %	Cu %	Au g/t	Ag g/t
<i>Indicated</i>	1.99	17.8%	0.9%	0.4 g/t	33.7 g/t
<i>Inferred</i>	0.15	15.4%	0.9%	0.4 g/t	31.2 g/t
Total	2.14	17.7%	0.9%	0.4 g/t	33.5 g/t

Superior Lake Total Mineral Resource at 3% cut-off grade as at date of this Report

Classification	Tonnage (Mt)	Zn %	Cu %	Au g/t	Ag g/t
<i>Indicated</i>	2.07	18.0%	0.9%	0.38 g/t	34 g/t
<i>Inferred</i>	0.28	16.2%	1.0%	0.31g/t	37 g/t
Total	2.35	17.7%	0.9%	0.38 g/t	34 g/t

Competent Persons' Statement

The information in this announcement that relates to the Mineral Resources on the Superior Lake Project was first reported by the Company to ASX on 7 March 2019. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the relevant original market announcement.

Directors' Report

The Directors of Superior Lake Resources Limited ("the Company" or "Superior Lake", formerly Ishine International Resources Limited) submit herewith the annual report of the Company for the financial year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

INFORMATION ABOUT THE DIRECTORS AND SENIOR MANAGEMENT

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Name	Particulars
Mr Grant Davey Executive Director (Appointed 27 February 2018)	<p>Mr Davey is a mining engineer with over 25 years of senior management and operational experience in the construction and operation of mines in Africa, Australia, South America and Russia. He was previously responsible for the Vaal Reefs South Uranium plant between 2005 and 2008 when it produced up to 6 million pounds of uranium per year and was one of the largest uranium producers in the southern hemisphere at the time.</p> <p>Mr Davey is a Non-Executive Director of Graphex Mining Limited (March 2016 – present), Cradle Resources Limited (April 2013 – November 2015, July 2017 - present), Matador Mining Limited (July 2018 – present) and was previously a Non-Executive Director of Boss Resources Limited (January 2016 - February 2019).</p>
Mr Peter Williams Non-Executive Director (Appointed 27 February 2018)	<p>Mr Williams was formerly Chief Geophysicist and Manager of Geoscience Technology for WMC Resources. He was one of the founding members of Independence Group Limited and developed high powered 3 component 3D TEM applications that lead to the discovery of over 75,000t of nickel at the Victor Long Nickel Mine in Kambalda. Mr Williams also has extensive experience in West Africa where he was the vendor of the Banfora Gold Project, was involved in the project generation of Papillion's Mali projects. He was a co-founder of the International Resource Sector Intelligence company, Intierra and was a co-founder of the first dedicated hard rock mineral seismic company in the world, HiSeis.</p> <p>Mr Williams is currently a non-executive Director of Boss Resources Ltd (August 2013 - present).</p>
Mr Keong Chan Non-Executive Chairman & former Company Secretary (Appointed 15 November 2016)	<p>Mr Chan holds a Bachelor of Commerce from the University of Western Australia and a Master of International Customs Law and Administration from the University of Canberra.</p> <p>Mr Chan has provided advice to a number of companies on corporate matters in relation to capital raisings, IPOs, back door listings, mergers and acquisitions, takeovers/divestments and has sat on or acted as an advisor to a number of ASX listed boards.</p> <p>Mr Chan is chairman of Aumake International Limited (June 2016 - present) and was previously a Non-Executive Director of Hylea Metals Limited (December 2015 – October 2018)</p>
Mr David Woodall Chief Executive Officer (Appointed 9 April 2018)	<p>Mr Woodall is a mining engineer with over 30 years' experience in operations, project development and evaluations in the mineral resources industry including gold, copper, iron ore and nickel. He has held senior management, corporate and operation positions in Canada, Australia, USA, Fiji, Africa, Central Asia and China. Previous roles included Executive General Manager International Operations for Newcrest and Director operations for FMG. Mr Woodall is a Member of the Australian Institute on Mining and Metallurgy (AusIMM) and a member of the Australian Institute of Company Directors (AICD).</p> <p>Mr Woodall is non-executive Director of Grange Resources Limited (March 2019 - present).</p>

Superior Lake Resources Limited - Annual Report

Name	Particulars
Mr Yunde Li Executive Chairman (Resigned 14 September 2018)	<p>Mr Li was a Director, General Manager and a principal shareholder of Ishine Mining Company Co. Ltd (IMGC) from 2001. He is an economist and has over 20 years' experience in mining and mineral processing with extensive training in business administration at Beijing University and Tsinghua University.</p> <p>From 1966 to 2001 he was General Manager of Yishui Xinxing Mining. He has been involved as an investor, promoter and/or Director in resource companies such as, Yishui Xingxing Mining Pty Ltd, Shandong Ishine Mining Co, Yishui Heshen Mineral Process Pty Ltd.</p> <p>Mr Li has not held any Directorships of other listed companies in the last 3 years.</p>
Mr Chuanshui (Frank) Yin Non-Executive Director (Resigned 27 February 2018)	<p>Mr Yin has nearly 20 years of operational and management experience, starting his career in a large juice enterprise in the People's Republic of China in 1994. He has had mining and mineral processing training in business administration at Tsinghua University and Toronto University. He has been active in developing Sino-Australian business ventures in mining and has facilitated a number of negotiations between Chinese and Australian parties in mining development investments and off-take agreements. He has developed a good network of business relationships all around the world.</p> <p>Mr Yin holds a Master's degree in Economics and Law from Zhongnan University. He is currently completing a doctorate degree in Finance. He has significant diverse experience in business marketing and finance research.</p> <p>Mr Yin has not held any Directorships of other listed companies in the last 3 years.</p>
Mr Stuart McKenzie Company Secretary (Appointed 6 March 2019)	<p>Mr McKenzie has over 30 years' experience in senior commercial roles with IMX Resources Limited, Graphex Mining Limited, Matador Mining Limited, Anvil Mining Limited, OK Tedi Mining Limited, Indiana Resources Limited, Ernst & Young and HSBC. Stuart holds a Bachelor of Laws, a Bachelor of Economics and is a member of the Governance Institute of Australia.</p>
Mr Mathew O'Hara Company Secretary (Appointed 14 September 2018, Resigned 6 March 2019)	<p>Mr O'Hara (BCom, CA) has over 14 years' experience in corporate finance, accounting and governance and has been employed by, and acted as, company secretary and CFO of several companies in the resource sector.</p>

Directors' shareholdings

The following table sets out each Director's relevant interest in shares of the Company as at the date of this report. There were no options on issue to Directors during the period up to the date of this report.

	Shares	
	<i>Held directly</i>	<i>Held indirectly</i>
Mr Yunde Li (i)	10,000,000	63,151,291
Mr Chuanshui (Yin) (ii)	1,020,000	3,170,000
Mr Keong Chan	-	-
Mr Grant Davey (iii)	250,000	73,337,758
Mr Peter Williams (iv)	-	-

(i) The 63,151,291 shares are held in the name of Shandong Ishine Mining Industry Co Ltd (a company in which Mr Li is a Director and shareholder).

(ii) Resigned 27 February 2018. The 3,170,000 shares are held in the name of Ausrich Resources Pty Ltd (Mr Yin is Director of Ausrich Resources Pty Ltd).

(iii) Appointed 27 February 2018.

(iv) Appointed 27 February 2018.

PRINCIPAL ACTIVITIES

The principal continuing activity of the Company during the financial year was the exploration of mineral prospects.

REVIEW OF OPERATIONS

A review of the Company operations for the financial year is set out in the Review of Operations of this report.

CHANGES IN THE STATE OF AFFAIRS

Apart from noted elsewhere in this report, no significant changes in the state of affairs of the Company occurred during the financial year.

SUBSEQUENT EVENTS

On 15 March 2019, following shareholder approval on 6 March 2019, the Company issued:

- 8,571,428 shares to Mr Grant Davey following his participation in a Placement undertaken in August 2018; and
- 20,000,000 share options to Mr Keong Chan with an exercise price of \$0.06 per option and expiring on 15 March 2022.

No other matters or circumstance has arisen since 31 December 2018, which has significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

ENVIRONMENTAL REGULATIONS

The Company is subject to significant environmental regulation in respect to its exploration activities. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The company has considered relevant impacts and ensured the company is compliant with environmental reporting requirements described in ASIC Regulatory Guide 68 New Financial Reporting and procedural requirements. The Directors of the Company are not aware of any breach of environmental legislation for the year under review.

SHARES UNDER OPTION

At the date of this report there the following 105,000,000 unquoted share options and no quoted options on issue.

Recipient	Grant date	Vesting date	Number of options	Exercise price	Expiry date
Mr Peter Williams	23/02/2018	23/02/2019	6,666,666	\$0.03	23/02/2022
Mr Peter Williams	23/02/2018	23/02/2020	6,666,667	\$0.03	23/02/2022
Mr Peter Williams	23/02/2018	23/02/2021	6,666,667	\$0.03	23/02/2022
Employees and contractors	12/04/2018	12/04/2018	25,000,000	\$0.03	9/04/2021
Employees and contractors	12/04/2018	12/04/2018	20,000,000	\$0.06	9/04/2021
BW Equities	31/08/2018	31/08/2021	10,000,000	\$0.06	30/08/2021
BW Equities	31/08/2018	31/08/2021	10,000,000	\$0.08	30/08/2021
Mr Keong Chan	6/03/2019	6/03/2019	20,000,000	\$0.06	15/03/2022

During the year no unquoted options expired or were exercised.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year the Company paid a premium in respect of a contract insuring the Directors of the Company, the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The premium for Director and officer's liability is \$17,000 (December 2017: \$8,880), limit of indemnity is \$5,000,000 (December 2017: \$5,000,000). The Company has entered into a Deed of Indemnity, Insurance and Access with each Director. In summary the Deed provides for:

- Access to corporate records for each Director for a period after ceasing to hold office in the Company,
- The provision of Directors and Officers Liability Insurance, and
- Indemnity for legal costs incurred by Directors in carrying out the business affairs of the Company.

Except for the above the Company has not otherwise, during or since the financial year, except to the amount permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year ended 31 December 2018 and the number of meetings attended by each Director (while they were a Director). During the financial year the following board meeting was held:

Directors	Board of Directors	
	No of eligible meetings to attend	Number attended
Mr Yunde Li	0	0
Mr Chuanshui (Frank) Yin	0	0
Mr Keong Chan	2	2
Mr Grant Davey	2	2
Mr Peter Williams	2	2

There were 4 Circular Resolutions during the year.

NON-AUDIT SERVICES

No non-audit services have been provided during the year. For details of amounts paid or payable to the auditor for audit services provided during the period are outlined in note 23 to the financial statements.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the 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 on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is included on page 20 of the financial report.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Superior Lake's Directors and senior management for the financial year ended 31 December 2018. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and key management personnel details
- remuneration policy
- remuneration of Directors and key management personnel
- key terms of employment contracts

Director and key management personnel details

The following persons acted as Directors during or since the end of the financial year:

Mr Yunde Li	Non-Executive Director (Resigned 14 September 2018)
Mr Chuanshui (Frank) Yin	Non-Executive Director (Resigned 27 February 2018)
Mr Keong Chan	Non-Executive Chairmen (Non-executive Director and company secretary to 14 September 2018)
Mr Grant Davey	Executive Director (Appointed 27 February 2018)
Mr Peter Williams	Non-Executive Director (Appointed 27 February 2018)

The term "key management personnel" is used in this remuneration report to refer to the following persons. Except as noted the named persons held their current positions for the whole of the period and since the end of the financial year:

Mr David Woodall	Chief Executive Officer (Appointed 9 April 2018)
------------------	--

Remuneration and nomination procedures

The Board considers that the Company is not of a size to justify the formation of a remuneration or nomination Committee. The Board is able to address these aspects of the Company's activities and will adhere to the appropriate ethical standards and with the relevant remuneration and nomination procedures.

The Board will review the remuneration policies and packages of all Directors and senior executive officers on a periodical basis. However, there was no meeting held in relation to review of remuneration policies and packages during the year. The Board will also periodically review the composition of the Board and make necessary changes to ensure that it comprises persons who have the skill and experience appropriate for the business activities and operations undertaken by the Company.

If a vacancy occurs or if it is considered that the Board would benefit from the services and skills of an additional Director, the Board will select and appoint the most suitable candidate. Any such appointee would be required under the Constitution to retire at the next annual general meeting and is eligible for re-election by the shareholders at that meeting.

Remuneration policy

Remuneration levels for executives are competitively set to attract the most qualified and experienced candidates, taking into account prevailing market conditions and individual's experience and qualifications. The Company's Constitution provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount not to exceed \$450,000 per annum.

Fees for Non-Executive Directors are not linked to the performance of the Company.

The executive Directors and full-time executive receive a superannuation guarantee contribution required by the government, which is currently 9.5% and do not receive any other retirement benefits.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

Relationship structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and executive compensation is separate and distinct.

Non-Executive Director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive Directors shall be determined from time to time by a general meeting. The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually.

Each of the Non-Executive Directors receives a fixed fee for their services as Directors. There is no direct link between remuneration paid to any of the Directors and corporate performance such as bonus payments for achievement of certain key performance indicators. There are no retirement benefits for non-executive Directors.

Executive remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. The remuneration of executive Directors and other executives is fixed by the Board and may be paid by way of cash settled salary or the issue of equity. Remuneration consists of cash settled remuneration and share based payments.

Mr David Woodall is paid a salary package of \$270,000 per annum, including superannuation, and received the 20,000,000 share options (as disclosed below). His employment may be terminated at any time with 3 months' notice.

Cash settled remuneration

The level of cash settled remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Cash settled remuneration is reviewed periodically by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration sector and external advice. However, there was no meeting held this year in relation to remuneration review.

The cash component is a base salary or monthly consulting fee.

Share based payments

Share based payments are made so as to provide a remuneration which is both appropriate to the position and is competitive in the market. Share based payments are not based on performance conditions.

Mr Woodall was granted and issued 20,000,000 options on 12 April 2018 that vested immediately, have an exercise price of \$0.06 and expire on 9 April 2021. These options were valued at \$255,865 and fully expensed when issued.

On 6 February 2018, shareholders approved the issue of a total of 20,000,000 options to Mr Peter Williams. These options were granted with nil additional consideration, subject to completion of the acquisition and consequently issued on 23 February 2018, and valued as at this date. These options vest progressively over 2019 to 2021 with the below parameters. A total of \$420,897 has been expensed for these options during the year as they are recognised over their expected vesting periods.

Key Management Personnel	Grant date	Number granted	Exercise price (\$)	Value per option (\$)	Value of options granted (\$)	Vesting date	Expiry date
Mr David Woodall	12/04/2018	20,000,000	\$0.06	0.0128	255,865	12/04/2018	9/04/2021
Mr Peter Williams	23/02/2018	6,666,666	\$0.03	0.0404	269,443	23/02/2019	23/02/2022
Mr Peter Williams	23/02/2018	6,666,667	\$0.03	0.0404	269,443	23/02/2020	23/02/2022
Mr Peter Williams	23/02/2018	6,666,667	\$0.03	0.0404	269,443	23/02/2021	23/02/2022

Details of all Options held by key management personnel of the Group, at the date of this report are shown below.

Key Management Personnel	Grant date	Number granted	Value of options granted (\$)	Vesting date	Expiry date	Vested %
Mr David Woodall	12/04/2018	20,000,000	255,865	12/04/2018	9/04/2021	100
Mr Peter Williams	23/02/2018	6,666,666	269,443	23/02/2019	23/02/2022	100
Mr Peter Williams	23/02/2018	6,666,667	269,443	23/02/2020	23/02/2022	43
Mr Peter Williams	23/02/2018	6,666,667	269,443	23/02/2021	23/02/2022	28
Mr Keong Chan	6/03/2019	20,000,000	202,569	6/03/2019	6/03/2022	100

No options issued to key management personnel were exercised or lapsed during the financial year.

Superior Lake Resources Limited - Annual Report

Remuneration of Directors and Key Management Personnel

The Directors and the Company executives received the following amounts as compensation for their services as Directors and executives of the Company during the financial year ended 31 December 2018. \$3,000 received by Mr Yunde Li and \$3,000 received by Mr Chuanshui Yin in January is not included here because these transactions occurred before the reverse acquisition was completed on 23 February 2018 and items in this table are required to be calculated in accordance with Australian accounting standards.

Financial year ended 31 December 2018

Name	Short-term employee benefits		Post- employment benefits		Total	% consisting of options
	Cash salary and fees	Other services	Superannuation	Share-based payment shares		
	\$	\$	\$	\$	\$	%
Directors						
Mr Grant Davey	110,000	-	-	-	110,000	-
Mr Yunde Li	21,000	-	-	-	21,000	-
Mr Chuanshui Yin	3,000	-	-	-	3,000	-
Mr Keong Chan (i)	48,000	36,000	-	-	84,000	-
Mr Peter Williams	33,000	-	-	420,897	453,897	93
Mr David Woodall	202,820	-	16,202	255,865	474,887	54
TOTAL	417,820	36,000	16,202	676,762	1,146,784	59

(i) \$36,000 of the total fees pertain to Mr Chan's services as Company Secretary.

Financial year ended 31 December 2017

Name	Short-term employee benefits		Post- employment benefits		Total	% consisting of options
	Cash salary and fees	Other services	Superannuation	Share-based payment shares		
	\$	\$	\$	\$	\$	\$
Directors						
Mr Yunde Li	36,000	-	-	-	36,000	-
Mr Chuanshui Yin	36,000	-	-	-	36,000	-
Mr Keong Chan (i)	36,000	48,000	-	-	84,000	-
TOTAL	108,000	48,000	-	-	156,000	

(i) \$48,000 of the total fees pertain to Mr Chan's services as Company Secretary.

Key management personnel equity holdings

(i) Fully paid ordinary shares

31 December 2018	Balance at start of period or appointment	Granted as compensation	Net other changes	Balance at end of period or resignation
	No	No	No	No
<i>Directors</i>				
Mr Grant Davey (i)	60,702,694	-	4,313,636	65,016,330
Mr Yunde Li (ii)	73,151,291	-	-	73,151,291
Mr Chuanshui Yin (iii)	1,020,000	-	-	1,020,000
Mr Keong Chan	-	-	-	-
Mr Peter Williams	-	-	-	-
Mr David Woodall	-	-	540,000	540,000

- (i) Appointed on 27 February 2018 with 60,702,694 shares indirectly held, that were issued to vendors of the reverse acquisition.
(ii) Resigned on 14 September 2018, includes 63,151,291 shares held by Shandong Mining Industry Co Ltd (a company in which Mr Li is a Director and shareholder).
(iii) Resigned on 27 February 2018.

31 December 2017	Balance at start of period or appointment	Granted as compensation	Net other changes	Balance at end of period or resignation
	No	No	No	No
<i>Directors</i>				
Mr Yunde Li	10,000,000	-	-	10,000,000
Mr Chuanshui Yin (i)	1,020,000	-	-	1,020,000
Mr Keong Chan	-	-	-	-

(ii) Options over ordinary shares

The number of options held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below. No options were held in 2017.

31 December 2018	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Mr Grant Davey	-	-	-	-	-
Mr Yunde Li	-	-	-	-	-
Mr Chuanshui Yin	-	-	-	-	-
Mr Keong Chan	-	-	-	-	-
Mr Peter Williams	-	20,000,000	-	-	20,000,000
Mr David Woodall	-	20,000,000	-	-	20,000,000
	-	40,000,000	-	-	40,000,000

Superior Lake Resources Limited - Annual Report

Performance of Superior Lake Resources Limited

The table below sets out summary information about the entity's earnings and movements in shareholder wealth for the 5 years to 31 December 2018. This table shows the previously reported amounts for the Company and not Superior Mining Pty Ltd, despite the reverse acquisition, because Corporations Regulations 2001 Reg 2M.3.03(5) does not apply to Corporations Act 2001 s300A(1AA).

	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
	\$	\$	\$	\$	\$
Revenue	2,683	30	129	12,188	85,855
Net loss before tax	(16,244,767)	(374,785)	(157,162)	(400,150)	(1,365,926)
Net loss after tax	(16,244,767)	(374,785)	(157,162)	(400,150)	(1,365,926)
Share price at beginning of period/year	\$0.043	\$0.045	\$0.22	\$0.22	\$0.22
Share price at end of period/year	\$0.030	\$0.043	\$0.045	\$0.22	\$0.22
Dividends	-	-	-	-	-
Basic and diluted earnings per share (cents per share)	(0.18)	(0.18)	(0.17)	(0.44)	(1.50)

Other transactions with Key Management Personnel and their related parties

Mr Keong Chan was a Director of Hylea Metals Limited until 31 October 2018 which was paid \$33,214 for accounting services between 23 February 2018 and 31 October 2018.

Entities related to Mr Grant Davey received a total of 60,702,694 vendor shares in consideration for the transactions whereby the Company acquired a 70% interest in Ophiolite Holdings Pty Ltd ("Ophiolite"). Ophiolite is the legal and beneficial owner of the Pick Lake and Winston Lake Projects disclosed in note 11. Superior Mining Pty Ltd holds 70% of the issued capital of Ophiolite. The minority shareholders of Ophiolite include Mr Grant Davey who controls entities that hold or jointly hold a combined 10% interest in Ophiolite. The minority shareholders of Ophiolite are free carried until completion of a bankable feasibility study ("BFS"). Following completion of the BFS, Superior Lake will have a first right of refusal to acquire the minority interests from the minority shareholders, for consideration to be determined via an independent valuation and payable via a cash payment and/or the issue of shares.

Mr Grant Davey acquired 8,571,428 shares at an issue price of \$0.035 each as part of a placement undertaken by the Company in August 2018. The \$300,000 received from Mr Davey for these shares in August 2018 is recognised as a liability of \$300,000 at 31 December 2018 and disclosed as a current liability in the financial report. The issue of shares was subject to shareholder approval which was not received until 6 March 2019 and the shares were issued on 15 March 2019.

End of remuneration report.

Signed in accordance with a resolution of the Directors.



Mr Keong Chan

Non-Executive Chairman
28 March 2019

**Bentleys Audit & Corporate
(WA) Pty Ltd**

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the audit of the financial statements of Superior Lake Resources Limited for the financial year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



CHRIS NICOLOFF CA
Partner

Dated at Perth this 28th day of March 2019

Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 31 DECEMBER 2018

	Notes	Group 31-Dec 2018 \$	Company 31-Dec 2017 \$
Revenue	5	24,333	-
Depreciation expense	12	(2,347)	-
Tenement and exploration expenses		(1,606,586)	-
Corporate transaction cost	26	(12,137,021)	-
Accounting and audit fees		(65,448)	-
Occupancy expenses		(85,042)	-
Administrative expenses		(600,446)	-
Employee benefit expenses and consultancy fees	6(a)	(1,762,939)	-
Finance costs	6(b)	(9,271)	-
LOSS BEFORE INCOME TAX		(16,244,767)	-
Income tax expense	8	-	-
LOSS FOR THE YEAR/PERIOD		(16,244,767)	-
LOSS FOR THE YEAR/PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF SUPERIOR LAKE RESOURCES LIMITED	15(c)	(16,244,767)	-
OTHER COMPREHENSIVE INCOME/(LOSS) NET OF TAX			
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of financial assets	15(a)	(124,500)	-
Other Comprehensive (loss)/income for the year		(124,500)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(16,369,267)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF SUPERIOR LAKE RESOURCES LIMITED		(16,369,267)	-
Basic and diluted loss per share (cents per share)	16	(1.77)	-

The above statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Financial Report

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

	Notes	Group 31-Dec 2018 \$	Company 31-Dec 2017 \$
CURRENT ASSETS			
Cash and cash equivalents	7	4,229,052	1
Trade and other receivables	9	60,026	-
Prepayments		79,562	-
TOTAL CURRENT ASSETS		4,368,640	1
NON-CURRENT ASSETS			
Other financial assets	10	144,500	-
Exploration & evaluation assets	11	954,657	-
Property, plant and equipment	12	5,576	-
TOTAL NON-CURRENT ASSETS		1,104,733	-
TOTAL ASSETS		5,473,373	1
CURRENT LIABILITIES			
Trade and other payables	13	903,167	-
Funds received for shares to be issued	14	300,000	-
Provision for annual leave		15,598	-
TOTAL CURRENT LIABILITIES		1,218,765	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		1,218,765	-
NET ASSETS		4,254,608	1
EQUITY			
Contributed equity	14	19,002,847	1
Share based payments reserve	15(a)	1,621,028	-
Investment revaluation reserve	15(a)	(124,500)	-
Accumulated losses	15(c)	(16,244,767)	-
TOTAL EQUITY		4,254,608	1

The above statement of financial position is to be read in conjunction with the accompanying notes.

Financial Report

Consolidated Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2018	Contributed Equity \$	Accumulated Losses \$	Share Based Payments Reserve \$	Investment Revaluation Reserve \$	Total \$
Opening Balance	1	-	-	-	1
Loss for the period	-	(16,244,767)	-	-	(16,244,767)
Changes in fair value of financial assets	-	-	-	(124,500)	(124,500)
Total comprehensive (loss)/income for the year	-	(16,244,767)	-	(124,500)	(16,369,267)
Transactions with owners in their capacity as owners					
Issue of shares	19,711,038	-	-	-	19,711,038
Less: Share issue costs	(708,192)	-	-	-	(708,192)
Share based payments	-	-	1,621,028	-	1,621,028
AT 31 DECEMBER 2018	19,002,847	(16,244,767)	1,621,028	(124,500)	4,254,608

YEAR ENDED 31 DECEMBER 2017	Contributed Equity \$	Accumulated Losses \$	Share Based Payments Reserve \$	Investment Revaluation Reserve \$	Total \$
Opening Balance	-	-	-	-	-
Profit for the period	-	-	-	-	-
Changes in fair value of available for sale financial assets	-	-	-	-	-
Cumulative loss reclassified to profit or loss on impairment of available for sale assets	-	-	-	-	-
Total comprehensive (loss)/income for the year	-	-	-	-	-
Transactions with owners in their capacity as owners					
Share based payments	-	-	-	-	-
Issue of shares	1	-	-	-	1
Less: Share issue costs	-	-	-	-	-
AT 31 DECEMBER 2017	1	-	-	-	1

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Financial Report

Consolidated Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2018

	Notes	Group Year ended 31-Dec 2018 \$	Company Year ended 31-Dec 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Operating activities		-	-
Payments to suppliers and employees (inclusive of GST)		(1,250,851)	-
Interest received		19,355	-
Interest paid		(1,283)	-
Payments for exploration activities		(1,001,937)	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	7	(2,234,716)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired through business combination	26 (c)	96,388	-
Payment for security deposit		(20,000)	-
Purchase of property, plant and equipment		(6,875)	-
Payments for exploration: acquisition costs		(817,054)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(747,541)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		7,200,000	1
Payment received for shares issued after year end	14	300,000	-
Capital raising costs		(288,692)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		7,211,308	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,229,051	1
Cash and cash equivalents at the beginning of the year		1	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	4,229,052	1

The above statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

These consolidated financial statements and notes represent those of Superior Lake Resources Limited (the 'Company' or 'Superior Lake') and Controlled Entities (the "Group"). Superior Lake is incorporated and operates in Australia. Superior Lake is a listed public company on the Australian Securities Exchange. The address of its registered office and principal place of business are disclosed on the inside cover of the financial report. This financial report for Superior Lake is for the year ended 31 December 2018 and were authorised for issue in accordance with a resolution of the Directors on 28 March 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Superior Lake is a for-profit entity for the purpose of preparing the financial statements. The financial report has been prepared on an accrual basis and is based on historical cost modified by the revaluation of financial assets for which the fair value basis of accounting has been applied, and fair value basis of accounting of share-based payments was applied at grant date. Accounting policies applies are consistent with those of the prior year. Superior Lake is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company are described in the Directors' Report.

Compliance with IFRS

The financial statements of Superior Lake Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Going Concern

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company incurred a loss from continuing operations of \$16,244,767 (2017: nil) during the year ended 31 December 2018, net cash outflows from operational and investment activities of \$2,982,257 (2017: nil), and a net working capital surplus of \$3,149,875 (2017: \$1) at that date.

The Group may require additional funding in the next 12 months to execute all intended study and exploration activities. However, if the discretionary expenditure was removed from cash flow forecasts, the Company has sufficient funding to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due for the 12-month period from the date of signing this financial report.

The Directors are satisfied that at the date of this financial report, there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The Directors have based this on the following pertinent matters:

- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements; and
- The Company has a track record of successfully raising capital from new and existing shareholders and currently has its full placement capacity available under ASX Listing Rules 7.1 and 7.1A.

Critical accounting judgements and key sources of estimation uncertainty

In the application of Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

Application of New and Revised Accounting Standards

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to the Consolidated Financial Statements (Cont'd)

AASB 15 - Revenue from Contracts with Customers

During the period AASB 15: Revenue from contracts with customers became effective.

The core principal of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15, which is as follows:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations; and

Step 5: Recognise the revenue as the performance obligations are satisfied.

All revenue is stated net of the amount of GST.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The adoption of AASB 15 has had no impact on the financial statements as the group has no sales revenue. Future impact will depend on the wording and effect of any future offtake and other sales agreements.

New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are set out below:

AASB 16 - Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

This Standard will replace current accounting requirements for leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- permitting a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the Directors anticipate that the adoption of AASB 16 will impact the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Notes to the Consolidated Financial Statements (Cont'd)

(a) Segment information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision maker – the executive management team (being CEO) and Board of Directors.

The Company aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(b) Revenue recognition

Revenue is recognised to reflect 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.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset. Management fee for exploration tenements is recognised when the service is provided to the relevant joint venture.

(c) Income tax

The current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is charged or credited in the profit or loss component of statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and unused tax losses or tax credits can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

(d) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value less costs of disposal. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After

Notes to the Consolidated Financial Statements (Cont'd)

such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(e) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

(f) Trade and other receivables

Trade receivables, which generally have 30 - 90 day terms, are initially recognised at fair value and subsequently carried at amortised cost less an allowance for any uncollectible amounts. Term deposits with more than 3-month maturity date have been classified as other receivables. An allowance for doubtful debts is recognised when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(g) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instruments. For Financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments 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. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

Financial instruments are subsequently measure at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measure at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortization of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliability predicted, the contractual term) of the financial instrument to the net carry amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss. The Company does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial statements.

(i) Financial assets at fair value through profit and loss or through other comprehensive Income

Financial assets are classified at 'fair value through profit or loss' or Fair value through Other comprehensive Income' when they are either held for trading for purposes of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss if electing to choose 'fair value through profit or loss' or other comprehensive income if electing 'Fair Value through other comprehensive income'.

(ii) Financial Liabilities

The Company's financial liabilities include trade and other payables, loan and borrowings, provisions for cash bonus and other liabilities which include deferred cash consideration and deferred equity consideration for acquisition of subsidiaries & associates.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition

Financial assets are derecognised where the contractual rights to receipts of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risk and benefits associated with the asset. Financial Liabilities are recognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Cont'd)

(h) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the last trade price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at historical cost less, where applicable, any accumulated depreciation and impairment loss.

Plant and equipment

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	10 – 67%

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(j) Exploration and evaluation expenditure

Exploration and evaluation assets arising out of acquisition of an area of interest are capitalised as part of the deferred exploration and evaluation asset. Subsequent to acquisition, exploration expenditure is expensed as incurred in accordance with the company's accounting policy. Development costs relating to specific properties are capitalised once management determines the property will be developed. A development decision is made based upon consideration of project economics, including future metal prices, reserves, resources and estimated operating and capital costs. The capitalised costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the capitalised costs for the relevant area of interest are reclassified to mine properties and 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 carry forward costs in relation to that area of interest. If a trigger event is determined to have occurred, the assets are assessed for impairment in accordance with the policy contained in Note 2 (d).

The capitalised costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(m) 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.

Notes to the Consolidated Financial Statements (Cont'd)

(n) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(p) Share based payments

Equity-settled share-based payments are measured at fair value at the date of grant.

Option fair value is measured by use of the Black & Scholes option pricing model. At the end of each reporting period the company revises its estimate of expected life of the options issued. The number of equity instruments expected to vest has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of equity instruments that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(q) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(r) Other income

Other income is recognised to the extent that it is probable that the economic benefits will flow to the Company and other income can be reliably measured. The Company's Other Income includes vehicle rental income and refunds from JV partners.

(s) Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements (Cont'd)

(t) Reverse acquisition

The Company completed the legal acquisition of Superior Mining Pty Ltd ("Superior Mining") on 23 February 2018. Under the principles of AASB 3, the transaction between Superior Lake and Superior Mining is treated as a reverse acquisition. As such, the assets and liabilities of the legal subsidiary (the accounting acquirer), being Superior Mining, are measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being Superior Lake are measured at fair value on the date of acquisition. Accordingly, the consolidated financial statements of Superior Lake have been prepared as a continuation of the financial statements of Superior Mining from 23 February 2018. The comparative information presented in the consolidated financial statements is that of Superior Mining. Superior Mining was incorporated in November 2017 and has had minimal transactions between incorporation date and 31 December 2017.

The impact of the reverse acquisition on each of the primary statements is as follows:

- The statement of profit or loss and other comprehensive income:
 - For the year to 31 December 2018 comprises 12 months of Superior Mining and the period from 23 February 2018 to 31 December 2018 of Superior Lake;
 - As Superior Mining was incorporated in November 2017 with no expenses in 2017, comparative information to 31 December 2017 has nil balances.
- The consolidated statement of changes in equity:
 - For the year ended 31 December 2018 comprises Superior Mining's balance sheet at 1 January 2018, its loss for the year and transactions with equity holders for the year. It also comprises Superior Lake's transactions within equity from 23 February 2018 to 31 December 2018 and the equity value of Superior Mining and Superior Lake at 31 December 2018. The number of shares on issue at year end represent those of Superior Lake only.
- The consolidated statement of cash flows:
 - For the year ended 31 December 2018 comprises:
 - The cash balance of Superior Mining as at 1 January 2018;
 - The cash transactions for the year (full year for Superior Mining and the period from 23 February 2018 to 31 December 2018 for Superior Lake); and
 - The cash balances of Superior Mining and Superior Lake at 31 December 2018.
 - As Superior Mining was incorporated in November 2017 with no transaction other than incorporation, there is no minimal information to be disclosed to 31 December 2017.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Income Tax

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered probable that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

Designation of investment in equity instrument as at fair value through comprehensive income

The Group made an irrevocable election at adoption of AASB 9 Financial Instruments to designate the investment in Athena Resources Limited (disclosed in note 10) as at fair value through other comprehensive income. This was based on the facts and circumstances that existed at the date of initial application of AASB 9 Financial Instruments.

Share based payment transactions

The Group measures the cost of equity settled share-based payments with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by Directors. In conducting this review, if any impairment indicators are identified, the recoverable amount is then assessed by reference to the higher of "fair value less costs to sell" and, if applicable, "value in use". In determining value in use, future cash flows are based on estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction, production and sales levels, future commodity prices, future capital and production costs and future exchange rates. Variations to any of these estimates, and timing thereof, could result in significant changes to the expected future cash flows which in turn could result in significant changes to the impairment test results, which in turn could impact future financial results.

Notes to the Consolidated Financial Statements (Cont'd)

4. SEGMENT INFORMATION

Description of segments

The Group operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group. All of the Group's mineral exploration activity is based in Canada.

	Group 31 December 2018 \$	Company 31 December 2017 \$
5. REVENUE		
Interest Income	24,333	-
	<u>24,333</u>	<u>-</u>
6. OTHER INCOME AND EXPENSES		
(a) Employee benefit expenses and consultancy fees includes the following specific expenses:		
Share based payment expense (refer to note 22)	(1,201,528)	-
Director fees	(216,000)	-
Salary and wages	(260,455)	-
Other	(84,956)	-
	<u>(1,762,939)</u>	<u>-</u>
(b) Finance costs includes the following specific expenses:		
Foreign exchange loss	(7,988)	-
Interest expense	(1,283)	-
	<u>(9,271)</u>	<u>-</u>
7. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	4,229,052	1
Reconciliation of loss for the year to net cash flows used in operating activities:		
Loss for the year	(16,244,767)	-
Non-cash expenses:		
Depreciation	2,347	-
Corporate transaction cost	12,137,021	-
Share based payments	1,201,528	-
Changes in assets and liabilities:		
(Increase)/Decrease in:		
Trade and other receivables	(54,394)	-
Prepayments	(79,562)	-
Increase/(Decrease) in:		
Trade and other payables	787,513	-
Provision for annual leave	15,598	-
Net cash flows used in operating activities	<u>(2,234,716)</u>	<u>-</u>

Notes to the Consolidated Financial Statements (Cont'd)

	Group 31 December 2018 \$	Company 31 December 2017 \$
8. INCOME TAX		
(a) Income tax expense/(benefit)		
The income tax(benefit) for the year differs from the prima facie tax as follows:		
Loss for year	(16,244,767)	-
Prima facie income tax (benefit) @ 27.5%	(4,467,311)	-
Non-deductible expenses	3,329,121	-
Current year deferred tax assets not brought to account	1,138,190	-
Total income tax expense	-	-
(b) Unrecognised deferred tax assets		
Deferred tax assets not brought to account the benefits of which will only be realised if the conditions for deductibility set out in Note 2(c) occur:		
- Tax Losses	2,782,894	-
- Temporary differences	1,138,190	-
Net unrecognised deferred tax asset	3,921,084	-
The Group had \$9,877,032 of tax losses to 31 December 2018 (\$7,042,771 of tax losses to 31 December 2017) and completed a reverse acquisition during 2018 with complex tax issues. The unrecognised deferred tax assets presented here assume that historic tax losses of Superior Lake Resources Limited will be available and that the legal acquisition of Superior Mining Pty Limited by Superior Lake Resources Limited results in an asset with a tax cost base of \$3,091,835. The Group is seeking advice to resolve this uncertainty.		
No income tax is payable by the Group. The Directors have considered it prudent not to bring to account the deferred tax asset of income tax losses and exploration deductions until it is probable of deriving assessable income of a nature and amount to enable such benefit to be realised.		
9. TRADE AND OTHER RECEIVABLES		
GST recoverable	55,013	-
Other receivables	5,013	-
	60,026	-

Notes to the Consolidated Financial Statements (Cont'd)

	Group 31 December 2018 \$	Company 31 December 2017 \$
10. OTHER FINANCIAL ASSETS		
Security bond	20,000	-
Financial assets at fair value through other comprehensive income	124,500	-
	<u>144,500</u>	<u>-</u>
Financial assets at fair value through other comprehensive income		
<i>Listed securities – Shares</i>		
Opening balance	249,000	-
Fair value movement*	(124,500)	-
Closing Balance	<u>124,500</u>	<u>-</u>
* The Group holds 8,300,000 shares in Athena Resources Limited, which is quoted on the Australian Securities Exchange (ASX: AHN). These have been revalued as at 31 December 2018. Further information is available at note 19 (d).		
11. EXPLORATION & EVALUATION ASSETS		
Opening Balance	-	-
Additions		
- Pick Lake	817,054	-
- Winston Lake	107,603	-
- Mt Morley	30,000	-
Closing Balance	<u>954,657</u>	<u>-</u>

During the year the Group acquired the above projects and has capitalised acquisition costs directly attributable to these projects.

Notes to the Consolidated Financial Statements (Cont'd)

	Group 31 December 2018 \$	Company 31 December 2017 \$
12. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment – at cost	173,164	-
Accumulated depreciation	(167,588)	-
Total written down amount	<u>5,576</u>	<u>-</u>
Reconciliation		
Opening written down value	1,048	-
Acquisitions	6,875	-
Depreciation charge for the period	(2,347)	-
Closing written down value	<u>5,576</u>	<u>-</u>
13. TRADE AND OTHER PAYABLES		
Trade and other payables	617,174	-
Accruals	285,993	-
	<u>903,167</u>	<u>-</u>

Notes to the Consolidated Financial Statements (Cont'd)

14. ISSUED CAPITAL

	Group 31 December 2018 \$	Company 31 December 2017 \$
(a) Share capital		
856,881,064 (2017: 208,957,970) ordinary shares fully paid	19,002,847	1

(b) Movement in ordinary shares on issue

Date	Details	No. of shares	\$
24 November 2017	Registration of Superior Mining Pty Ltd	263,636,362	1
1 January 2018	Opening Balance	263,636,362	1
23 February 2018	Elimination of existing Superior Mining Pty Ltd shares on reverse acquisition	(263,636,362)	-
23 February 2018	Existing Superior Lake Resources Limited shares on issue at acquisition date acquired	231,685,258	-
23 February 2018	Issue of shares as consideration for the acquisition of 100% of the issued capital in Superior Mining Pty Ltd	263,636,364	12,511,003
23 February 2018	Placement of shares at \$0.011 per share	227,272,727	2,500,000
31 August 2018	Placement of shares at \$0.035 per share	117,142,858	4,100,000
31 August 2018	Issue of shares at \$0.035 per share under a cleansing prospectus	1,000	35
7 September 2018	Issue of remaining placement shares at \$0.035 per share	17,142,857	600,000
	Capital raising costs	-	(708,192)
31 December 2018	Closing Balance	856,881,064	19,002,847

An amount of \$300,000 was received during the year from Director Mr Grant Davey for 8,571,428 shares with the August 2018 placement. These shares were only issued on 15 March 2019 following shareholder approval. This \$300,000 is only recognised as a liability at 31 December 2018 as it did not meet recognition criteria for equity before 15 March 2019.

(c) Terms and conditions of contributed equity

All shares issued or on issue are fully paid Ordinary shares with the right to receive dividends as declared and, in the event of winding up the company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(d) Capital risk management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The Company does not have a defined share buy-back plan. No dividends were paid or declared in the years ending 2018 and 2017. The Group is not subject to any externally imposed capital requirements.

Notes to the Consolidated Financial Statements (Cont'd)

15. RESERVES AND ACCUMULATED LOSSES

	31 December 2018 \$	31 December 2017 \$
(a) Reserves		
<i>Share-based payments reserve</i>		
Balance at the beginning of the year	-	-
Share based payments to Directors, executives and suppliers	1,201,528	-
Share based payments recognised as capital raising costs	419,500	-
Balance at the end of the year	1,621,028	-
<i>Share-based payments reserve</i>		
	Number of Options	\$
2018		
Balance at 1 January 2018	-	-
25,000,000 Options issued to employees that vested immediately	25,000,000	435,213
27,000,000 Options issued to employees that vested immediately*	27,000,000	345,418
Recognition of expense over expected vesting period for 20,000,000 Options issued to Director	20,000,000	420,897
20,000,000 Options issued to BW Equities recognised as a capital raising cost	20,000,000	419,500
Balance at 31 December 2018	92,000,000	1,621,028
<i>Investment revaluation reserve</i>		
Balance at the beginning of the year	-	-
Change in investment revaluation reserve*	(124,500)	-
Balance at the end of the year	(124,500)	-

*Post 31 December 2018, 7,000,000 of these Options were cancelled.

There were no share options issued during the financial year ended 31 December 2017. All unissued shares or interests under option had expired as at 31 December 2017.

* The Group holds 8,300,000 shares in Athena Resources Limited, which is quoted on the Australian Securities Exchange (ASX: AHN). These have been revalued as at 31 December 2018. Further information is available at note 19 (d).

(b) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued and shares granted to Directors, executives and suppliers as share based payments.

Investment revaluation reserve

The investment revaluation reserve represents the cumulative gain and losses arising on the revaluation of available for sale financial assets that have been recognised in other comprehensive income.

Notes to the Consolidated Financial Statements (Cont'd)

	Group 31 December 2018 \$	Company 31 December 2017 \$
(c) Accumulated losses		
Balance at the beginning of the year	-	-
Net loss for the year	(16,244,767)	-
Balance at the end of the year	(16,244,767)	-

16. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share	(16,244,767)	-
--	--------------	---

	Number of shares 31 December 2018	Number of shares 31 December 2017
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	915,683,740	299,993,760

(c) Basic and Diluted loss per share – cents per share

(1.77)	-
--------	---

At the end of the 2018 financial year, the Group had 92,000,000 unissued shares under option (2017: nil). The Group does not report diluted earnings per share on annual losses generated by the Group. During the 2018 financial year the Group's unissued shares under option were anti-dilutive. As noted in Note 2 (t), the equity structure in these consolidated financial statements following the reverse acquisition reflects the equity structure of Superior Lake, being the legal acquirer (the accounting acquiree), including the equity interests issued by Superior Lake to affect the business combination.

- i) In calculation the weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the year ended 31 December 2018:
 - a. The number of ordinary shares outstanding from 1 January 2018 to 23 February 2018 (deemed acquisition date) are computed on the basis of the weighted average number of ordinary shares of Superior Mining (legal acquiree and accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the acquisition agreement
 - b. The number of ordinary shares outstanding from 23 February 2018 to the year-end shall be the actual number of ordinary shares of Superior Lake outstanding during that period.
- ii) The basic EPS for the period ended 31 December 2017 shall be calculated by dividing:
 - a. The profit or loss of Superior Mining attributable to shareholders in each of those periods by the Superior Mining's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

(d) Information on the classification of options/ unissued shares

As the Company has made a loss for the year ended 31 December 2018, all options on issue. These options and unissued shares could potentially dilute basic loss per share in the future.

17. DIVIDENDS

No dividends were paid during the financial year (31 December 2017: Nil). No recommendation for payment of dividends has been made. (2017: Nil)

Notes to the Consolidated Financial Statements (Cont'd)

18. COMMITMENTS

(a) Exploration commitments

The Company has certain obligations to perform minimum exploration work and to spend minimum amounts on exploration tenements. The obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Company. Due to the nature of the Company's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditure may be increased when new tenements are granted or joint venture agreements amended.

The existing tenement commitments are as follows:

	Group 31 December 2018 \$	Company 31 December 2017 \$
0 to 1 year	609,229	-
1 to 5 years	519,642	-
5+ years	-	-
	<u>1,128,871</u>	<u>-</u>

(b) Executive services commitment

0 to 1 year	67,500	-
1 to 5 years	-	-
5+ years	-	-
	<u>67,500</u>	<u>-</u>

(c) Office lease agreement

The Group does not currently have an office lease commitment as it has recently moved to new offices and is negotiating terms.

19. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The Group's principal financial instruments comprise an investment in a listed company, receivables, payables, cash and short-term deposits. The Company manages its exposure to key financial risk in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are used to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Notes to the Consolidated Financial Statements (Cont'd)

(b) Categories of financial instruments

The Company holds the following financial instruments:

	Group 31 December 2018 \$	Company 31 December 2017 \$
Financial assets		
Cash and cash equivalents	4,229,052	-
Trade and other receivables	60,026	-
Other financial assets	144,500	
	<u>4,433,578</u>	<u>-</u>
Financial liabilities		
Trade and other payables	903,167	-
Funds received for shares to be issued	300,000	-
	<u>1,203,167</u>	<u>-</u>

(c) Interest rate risk management

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternatives financing positions and the mix of fixed and variable interest rates. As the Company has no interest bearing borrowing its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits.

2018	Floating Interest Rate \$	Fixed Interest Rate		Non-Interest Bearing \$	Total \$	Weighted Effective Interest Rate
		1 Year or Less \$	1 to 5 Years \$			
Financial Assets						
Cash	729,051	3,500,000	-	1	4,229,052	1.86%
Trade and other receivables	-	-	-	60,026	60,026	NA
Other financial assets	-	-	-	144,500	144,500	NA
Total Financial Assets	<u>729,051</u>	<u>3,500,000</u>	<u>-</u>	<u>204,527</u>	<u>4,433,578</u>	<u>1.77%</u>
Financial Liabilities						
Trade and other payables	-	-	-	903,167	903,167	NA
Funds received for shares to be issued	-	-	-	300,000	300,000	NA
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,203,167</u>	<u>1,203,167</u>	<u>NA</u>

The only financial asset held in 2017 was \$1 of cash and cash equivalents which was not interest bearing and had no interest payable.

(d) Equity price risk management

The Group holds 8,300,000 shares in Athena Resources Limited, which is quoted on the Australian Securities Exchange (ASX: AHN). The following sensitivity analysis is based on the pricing risk exposure in existence at the balance sheet date. If share price had moved, as illustrated in the table below, with all other variables held constant, fair value of financial assets of the Company would have been affected as follows:

Judgements of reasonably possible:

Equity – higher / (lower)

+10.0%	14,500	-
-10.0%	(14,500)	-

Notes to the Consolidated Financial Statements (Cont'd)

(e) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and term deposits, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At 31 December 2018, the Group has no significant exposure to liquidity risk as there is effectively no debt.

Maturities of financial liabilities

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

The tables below have been drawn up based on the undiscounted cash flows (including both interest and principal cash flows expected) using contractual maturities of financial assets and the earliest date on which the Group can be required to pay financial liabilities. Amounts for financial assets include interest earned on those assets except where it is anticipated the cash flow will occur in a different period.

	31 December 2018				31 December 2017			
	≤6 months	6 – 12 months	1-5 Years	Total	≤6 months	6 – 12 months	1-5 Years	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Financial liabilities</i>								
Trade and other payables	903,167	-	-	903,167	-	-	-	-
Funds received for shares to be issued	300,000	-	-	300,000	-	-	-	-
Total Financial Liabilities	1,203,167	-	-	1,203,167	-	-	-	-

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's potential concentration of credit risk consists mainly of cash deposits with banks. The Company's short-term cash surpluses are placed with banks that have investment grade ratings. The maximum credit risk exposure relating to the financial assets is represented by the carrying value as at the balance sheet date. The Company considers the credit standing of counterparties when making deposits to manage the credit risk.

Considering the nature of the business at present none of such liabilities are past due, the Company believes that the credit risk is not material to the Company's operations.

(g) Fair value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values.

The Company's financial assets (refer note 10) are measured by "Level 1" fair value measurements – meaning that they are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. There was no change in level of financial assets or financial instruments during the year.

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors

The following persons were Directors of Superior Lake Resources Limited during the financial year:

Mr Grant Davey	Executive Director (Appointed 27 February 2018)
Mr Yunde Li	Executive Chairman (Resigned 14 September 2018)
Mr Chuanshui (Frank) Yin	Non-Executive Director (Resigned 27 February 2018)
Mr Keong Chan	Non-Executive Chairman (former Company Secretary)
Mr Peter Williams	Non-Executive Director (Appointed 27 February 2018)

Notes to the Consolidated Financial Statements (Cont'd)

	Balance at start of period or appointment	Granted as compensation	Net other changes	Balance at end of period or resignation
	No	No	No	No
31 December 2017				
<i>Directors</i>				
Mr Yunde Li	10,000,000	-		10,000,000
Mr Chuanshui Yin	1,020,000	-		1,020,000
Mr Keong Chan	-	-		-

The number of options held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below. No options were held in 2017.

2018					
Options over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Mr Grant Davey	-	-	-	-	-
Mr Yunde Li	-	-	-	-	-
Mr Chuanshui Yin	-	-	-	-	-
Mr Keong Chan	-	-	-	-	-
Mr Peter Williams	-	20,000,000	-	-	20,000,000
Mr David Woodall	-	20,000,000	-	-	20,000,000
	-	40,000,000	-	-	40,000,000

(b) Other transactions with related parties

Mr Keong Chan was a Director of Hylea Metals Limited (Hylea) until 31 October 2018. Hylea was paid \$33,214 for accounting services between 23 February 2018 and 31 October 2018.

Entities related to Mr Grant Davey received a total of 60,702,694 vendor shares in consideration for the transactions whereby the Company acquired a 70% interest in Ophiolite Holdings Pty Ltd (Ophiolite). Ophiolite is the legal and beneficial owner of the Pick Lake and Winston Lake projects disclosed in note 11. Superior Mining holds 70% of the issued capital of Ophiolite. The minority shareholders of Ophiolite include Mr Grant Davey who controls entities that hold or jointly hold a combined 10% interest in Ophiolite. The minority shareholders of Ophiolite are free carried until completion of a bankable feasibility study (BFS). Following completion of the BFS, Superior Lake will have a first right of refusal to acquire the minority interests from the minority shareholders, for consideration to be determined via an independent valuation and payable via a cash payment and/or the issue of shares.

Mr Grant Davey acquired 8,571,428 shares at an issue price of \$0.035 each as part of a placement undertaken by the Company in August 2018. The \$300,000 received from Mr Davey for these shares in August 2018 is recognised as a liability of \$300,000 at 31 December 2018 and disclosed as a current liability in the financial report. The issue of shares was subject to shareholder approval which was not received until 6 March 2019 and the shares were issued on 15 March 2019.

22. SHARE BASED PAYMENT PLANS

20 million incentive options were issued to Peter Williams during the year. These options are subject to a service condition and vest as follows:

- 6,666,666 12 months from the date of issue
- 6,666,667 24 months from the date of issue
- 6,666,667 36 months from the date of issue.

25 million and 27 million options were issued to employees and consultants during the year pursuant to the ESOP. The options are not subject to vesting conditions. The 27 million options included 20 million granted to Mr David Woodall.

10 million options with an exercise price of \$0.06 and 10 million options with an exercise price of \$0.08 were issued to BW Equities Pty Ltd in consideration for capital raising services

Notes to the Consolidated Financial Statements (Cont'd)

The above options were valued using the Black-Scholes valuation model with the following inputs:

Input	Peter Williams Options	25 million ESOP	27 million ESOP	BW Equities 6c Options	BW Equities 8c Options
Measurement date share price	\$0.054	\$0.03	\$0.03	\$0.044	\$0.044
Exercise price	\$0.03	\$0.03	\$0.06	\$0.06	\$0.08
Expected volatility	90%	90%	90%	90%	90%
Option life	4 years	3 years	3 years	3 years	3 years
Risk-free interest rate	2.53%	2.53%	2.53%	1.99%	1.99%
Dividend yield	n/a	n/a	n/a	n/a	n/a
Value	\$808,329	\$435,213	\$345,418	\$223,900	\$195,600
Amount recognised as an expense	\$420,897	\$435,213	\$345,418	\$223,900	\$195,600

The total share-based payment expense for the period was \$1,201,528, as well as \$419,500 recognised for the BW Equities options that was recognised as a capital raising cost.

Set out below is the summary of options granted as share based payments: There were no options on issue or vesting in 2017. The weighted average remaining term of outstanding options at 31 December 2018 was 2.55 years

Options - 2018

Grant Date	Expiry Date	Exercise Price (\$)	Balance 01/01/18	Granted during the year	Exercised during the year	Expired or Change due to Resigning	Balance 31/12/18	Number vested and exercisable
23/02/2018	23/02/2022	0.030	-	6,666,666	-	-	6,666,666	-
23/02/2018	23/02/2022	0.030	-	6,666,667	-	-	6,666,667	-
23/02/2018	23/02/2022	0.030	-	6,666,667	-	-	6,666,667	-
12/04/2018	9/04/2021	0.030	-	25,000,000	-	-	25,000,000	25,000,000
12/04/2018	9/04/2021	0.060	-	27,000,000	-	-	27,000,000	27,000,000
31/08/2018	30/08/2021	0.060	-	10,000,000	-	-	10,000,000	10,000,000
31/08/2018	30/08/2021	0.080	-	10,000,000	-	-	10,000,000	10,000,000
			-	92,000,000	-	-	92,000,000	72,000,000
Weighted average exercise price			-	\$0.048	-	-	\$0.048	\$0.052

	Group 31 December 2018	Company 31 December 2017
23. REMUNERATION OF AUDITORS		

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

Audit services

Audit or review of financial reports

- Bentleys Audit and Corporate (WA)

37,031	-
37,031	-

24. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 31 December 2018 (2017: None).

25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 15 March 2019, following shareholder approval on 6 March 2019:

- the Company issued 8,571,428 shares to Mr Grant Davey, as disclosed in note 14.
- The Company issued 20,000,000 share options to Mr Keong Chan with an exercise price of \$0.06 per option and expiring on 15 March 2022.

Notes to the Consolidated Financial Statements (Cont'd)

26. REVERSE ACQUISITION

On 23 February 2018, Superior Lake (formerly Ishine International Resources Limited) acquired 100% of the ordinary share capital and voting rights of Superior Mining as described in the Notice of Meeting issued on 5 January 2018.

Under the principles of AASB 3, the transaction between Superior Lake and Superior Mining is treated as a reverse acquisition, whereby the accounting acquirer is deemed to be Superior Mining and Superior Lake is deemed to be the accounting acquiree. Refer to the effect upon the basis of preparation at note 2(t) Reverse acquisition. Although this transaction is strictly outside the scope of AASB 3 because the accounting acquiree did not constitute a business, it is appropriate applying paragraphs B19-B27 of AASB 3 by analogy, in accordance with AASB 108 paragraphs 10-12. This treatment follows the recommendations of the IFRS Interpretations Committee from March 2013.

(a) Acquisition consideration

As consideration for the issued capital of Superior Mining, Superior Lake issued 263,636,364 shares to the shareholders of Superior Mining at \$0.054 for a total consideration of \$12,511,003. No cash was paid as part of the acquisition consideration.

(b) Fair value of consideration transferred

Under the principles of AASB 3, the transaction between Superior Lake and Superior Mining is treated as a reverse acquisition. As such, the assets and liabilities of the legal subsidiary (the accounting acquirer), being Superior Mining, are measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being Superior Lake are measured at fair value on the date of acquisition.

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (Superior Mining) in the form of equity instruments issued to the shareholders of the legal parent entity (Superior Lake). The acquisition-date fair value of the consideration transferred has been determined by reference to the fair value of the number of shares the legal subsidiary (Superior Mining) would have issued to the legal parent entity Superior Lake to obtain the same ownership interest in the combined entity. Therefore, the deemed fair value of the acquisition of Superior Lake (accounting subsidiary) was determined to be 231,685,243 shares on issue in Superior Lake at \$0.054 for a total value of \$12,511,003.

(c) Corporate transaction expense

The corporate transaction expense is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the legal parent, being Superior Lake. Details of the transaction are as follows:

	Fair Value
	\$
Fair value of consideration transferred	12,511,003
Fair value of assets and liabilities held at acquisition date:	
• Cash	96,387
• Trade and other receivables	5,596
• Property Plant & Equipment	1,049
• Financial assets	249,000
• Exploration assets	137,603
• Trade and other payables	(115,653)
Fair value of identifiable assets and liabilities assumed	373,982
Corporate transaction expense	12,137,021

The corporate transaction expense calculated above would represent goodwill in Superior Lake if this was a business combination, however this has not been recognised as a business combination because Superior Lake (the accounting acquiree) is not a business. Instead the deemed fair value of the interest in Superior Mining issued to existing Superior Lake shareholders to effect the reverse acquisition (the consideration for the acquisition of the public shell company) is recognised as an expense in the income statement. This expense has been presented as a "corporate transaction cost" on the face of the consolidation statement profit or loss and comprehensive income.

27. PARENT ENTITY DISCLOSURES

These disclosures are for the legal parent, Superior Mining as required by Australian law.

	2018 \$	2017 \$
Statement of Financial Position		
Assets		
Current assets	4,368,640	454,468
Non-current assets	1,104,733	1,106,140
Total assets	5,473,373	1,560,608
Liabilities		
Current liabilities	1,218,765	58,196
Non-current liabilities	-	-
Total liabilities	1,218,765	58,196
Equity		
Contributed equity	19,002,847	9,727,170
Reserves	1,496,528	1,198,966
Accumulated losses	(16,244,767)	(9,423,724)
Total equity	4,254,608	1,502,412
Statement of Comprehensive income		
Loss for the year	(16,244,767)	(374,785)
Other comprehensive income	(124,500)	(166,000)
Total comprehensive loss for the year	(16,369,267)	(540,785)

Guarantees

Superior Mining has not entered into any guarantees in the current or previous financial year in relation to the debts of its subsidiaries.

Other Commitments and Contingencies

Superior Mining has no commitments to acquire property, plant and equipment and has no contingent liabilities other than those already disclosed in the notes to the financial statements.

28. DETAILS OF CONTROLLED ENTITIES

Information about Principal Subsidiaries

	Country of Incorporation	Percentage Owned	
		2018	2017
Accounting Parent Entity:			
Superior Mining Pty Ltd*	Australia		
Subsidiary of Superior Mining Pty Ltd:			
Ophiolite Holdings Pty Ltd**	Australia	70%	-
Legal Parent entity			
Superior Lake Resources Limited***	Australia	100%	-

*Superior Mining Pty Ltd (Superior Mining) was incorporated on 24 November 2017 with 263,636,362 shares. As disclosed in note 2 (t) and note 26, Superior Mining acquired Superior Lake in a reverse acquisition transaction that was completed on 23 February 2018, making Superior Mining the parent entity for accounting purposes, while Superior Lake remains the parent entity for other legal purposes.

**Ophiolite was incorporated on 3 February 2017. Ophiolite is the legal and beneficial owner of the Pick Lake and Winston Lake projects disclosed in note 11. Superior Mining holds 70% of the issued capital of Ophiolite. The minority shareholders of Ophiolite are free carried until completion of a BFS. Following completion of the BFS, Superior Lake will have a first right of refusal to acquire the minority interests from the minority shareholders, for consideration to be determined via an independent valuation and payable via a cash payment and/or the issue of shares. The minority shareholders of Ophiolite include Mr Grant Davey who controls entities that hold or jointly hold a combined 10% interest in Ophiolite.

***Superior Lake was incorporated on 18 September 2009 as a public company.

There have been no other movements in percentage ownership or costs of controlled entities during 2018.

Directors' Declaration

In the Directors' opinion:

- (a) the attached financial statements and notes set out on page 21 to 47 are in accordance with *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 31 December 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that Superior Lake Resources Limited will be able to pay its debts and when they become due and payable.

Note 2 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 and chief financial officer equivalent required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors



Mr Keong Chan

Non-Executive Director

28 March 2019

Independent Auditor's Report

To the Members of Superior Lake Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Superior Lake Resources Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and 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 the directors' declaration.

In our opinion:

- a. 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 31 December 2018 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 Company 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* (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.

Bentleys Audit & Corporate
(WA) Pty Ltd

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

Independent Auditor's Report

To the Members of Superior Lake Resources Limited (Continued)



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.

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for reverse acquisition of Superior Mining Pty Ltd</p> <p>As disclosed in Note 26 of the consolidated financial statements, on 23 February 2018, Superior Lake Resources Limited completed the reverse acquisition of Superior Mining Pty Ltd via the issue of shares. This resulted in Superior Mining Pty Ltd becoming the accounting acquirer in the reverse acquisition although Superior Lake Resources Limited is the legal parent.</p> <p>This is a key audit matter due to the size of the acquisition with a purchase consideration of \$12,511,003 and complexities inherent in a reverse acquisition.</p> <p>The difference between the consideration and the fair value of net assets acquired of \$12,137,021 has been recognised as a corporate transaction accounting expense. This process involved estimation and judgement of future performance of the business.</p>	<p>Procedures performed as part of our assessment of the transaction to determine if the appropriate accounting treatment was applied, included:</p> <ul style="list-style-type: none">➤ Evaluation of management's assessment of the combining entities to determine which entity obtained control as a result of the transaction;➤ Review of signed contractual agreements relating to the acquisition and understanding the key terms and conditions of the transactions;➤ Assessment of the calculation of the deemed consideration with underlying information inputs including share price with the terms of the acquisition agreement;➤ Review of acquisition date balance sheet to underlying supporting documentation;➤ Assessment of the fair value of assets and liabilities acquired to the fair value assessment conducted by management;➤ Review of consolidation of the combining entities in line with reverse acquisition accounting requirements;➤ We assessed the appropriateness of the disclosures in Note 2 and 26 to the financial report.

Independent Auditor's Report

To the Members of Superior Lake Resources Limited (Continued)



Key audit matter	How our audit addressed the key audit matter
<p>Exploration and Evaluation Expenditure – \$954,657</p> <p>(Refer to Note 11)</p> <p>Exploration and evaluation is a key audit matter due to:</p> <ul style="list-style-type: none"> ➤ The level of judgement required in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset; and ➤ The assessment of impairment of exploration and evaluation expenditure being inherently difficult. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ➤ Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the company holds an interest and the exploration programmes planned for those tenements. ➤ We agreed to the terms within the acquisition agreements and on a sample basis corroborated rights to tenure to government registries; ➤ We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest. ➤ We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: <ul style="list-style-type: none"> ➤ the licenses for the right to explore expiring in the near future or are not expected to be renewed; ➤ substantive expenditure for further exploration in the specific area is neither budgeted or planned ➤ decision or intent by the Company to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and ➤ data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale. ➤ We assessed the appropriateness of the related disclosures in Note 11 to the financial statements.

Independent Auditor's Report

To the Members of Superior Lake Resources Limited (Continued)



Key audit matter	How our audit addressed the key audit matter
<p>Share based payments - \$1,621,028</p> <p>(Refer to Note 22)</p> <p>As disclosed in Note 22 in the financial statements, during the year ended 31 December 2018, the Group incurred share based payments totaling \$1,621,028.</p> <p>Share based payments are considered to be a key audit matter due to:</p> <ul style="list-style-type: none">➤ The value of the transactions;➤ The complexities involved in recognition and measurement of these instruments; and➤ The judgement involved in determining the inputs used in the valuation. <p>Management used the Black-Scholes option valuation model to determine the fair value of the options granted during the year. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">➤ Analysing contractual agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments;➤ Evaluating management's Black-Scholes Valuation Models and assessing the assumptions and inputs used;➤ Assessing the expense recognized during the period against the vesting conditions of the options;➤ Assessing the adequacy of the disclosures included in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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.

Independent Auditor's Report

To the Members of Superior Lake Resources Limited (Continued)



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 Note 2, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

To the Members of Superior Lake Resources Limited (Continued)



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Superior Lake Resources Limited, for the year ended 31 December 2018, complies with section 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Partner

Dated at Perth this 28th day of March 2019

ASX Additional Information

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 26 March 2019.

Class of shares and voting rights

The voting rights attached to the Fully Paid Ordinary Shares of the Company are:

- i. at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- ii. on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

Options do not carry any voting rights.

Distribution of equity securities (as at 26 March 2019)

Analysis of numbers of equity security holders by size of holding:

Spread of Holdings	Number of Holders – Fully Paid Ordinary Shares
1 – 1,000	17
1,001 – 5,000	8
5,001 – 10,000	100
10,001 – 100,000	190
Over 100,001	295
TOTAL	610

Company Secretary

Stuart McKenzie

Registered office

Level 1, Emerald House
1202 Hay Street
West Perth WA 6005
Tel: +61 8 6117 0479

Share Registry

Automic Registry Services
Level 5, 126 Philip Street
Sydney NSW 2000
Tel: +61 2 9698 5414

ASX Additional Information

Twenty largest shareholders (as at 26 March 2019)

The names of the twenty largest holders of quoted ordinary shares are:

Rank	Holder Name	Number of Shares	% of Ordinary Shares
1	Zero Nominees Pty Ltd	70,429,018	8.14%
2	Kitara Investments Pty Ltd <Kumova Family A/C>	63,703,747	7.36%
3	Shandong Ishine Mining Industry Co	63,151,291	7.30%
4	Ms Sonja Louise Newman Heath	42,338,495	4.89%
5	Citicorp Nominees Pty Ltd	32,263,435	3.73%
6	Mr Grant Lawrence Burnaford Davey & Mr Evan Alexander George Cranston <Superior Mining A/C>	28,680,222	3.31%
7	UBS Nominees Pty Ltd	26,245,039	3.03%
8	Mr Rupert Nigel Cheong <CC Investment A/C>	24,173,425	2.79%
9	Davey Holdings (Aus) Pty Ltd	24,016,854	2.78%
10	Kingslane Pty Ltd	23,431,020	2.71%
11	Ilwella Pty Ltd	23,254,435	2.69%
12	Kitara Investments Pty Ltd <Kumova Family A/C>	17,682,361	2.04%
13	Merrill Lynch (Australia) Nominees Pty Ltd	16,630,826	1.92%
14	Davey Management (Aus) Pty Ltd <Davey Family Super Fund A/C>	16,577,046	1.92%
15	Pointciana Pty Ltd	16,174,852	1.87%
16	Kingslane Pty Ltd <Cranston Super Pension A/C>	15,864,179	1.83%
17	My Samuel McCardel <KL McCardel A/C>	13,541,737	1.56%
18	TR Nominees Pty Ltd	13,510,000	1.56%
19	Maximus Flannery Pty Ltd <Finco Investment A/C>	12,577,922	1.45%
20	A&J Tannous Nominees Pty Ltd <Assad Tannous A/C>	11,671,315	1.35%
		555,917,219	64.23%

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

Substantial shareholders (as at 26 March 2019)

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Holder name	Number of shares
Ms Sonja Louise Newman Heath (and related entities)	113,077,513
Tolga Kumova (and related entities)	81,886,108
Mr Grant Davey (and related entities)	73,587,758
Shandong Ishine Mining Industry Co	63,151,291
Tribeca Investment Partners Pty Ltd	56,428,572

ASX Additional Information

Unquoted securities (as at 26 March 2019)

Class	Number
Unquoted options exercisable at \$0.03 on or before 23 February 2022	20,000,000
Unquoted options exercisable at \$0.03 on or before 9 April 2021	25,000,000
Unquoted options exercisable at \$0.06 on or before 9 April 2021	20,000,000
Unquoted options exercisable at \$0.06 on or before 30 August 2021	10,000,000
Unquoted options exercisable at \$0.08 on or before 30 August 2021	10,000,000
Unquoted options exercisable at \$0.06 on or before 15 March 2022	20,000,000

Unquoted securities > 20% holders (as at 26 March 2019)

Class	Holder	Number
Unquoted options exercisable at \$0.03 on or before 23 February 2022	Torr Family Pty Ltd <Torr A/C>	20,000,000
Unquoted options exercisable at \$0.03 on or before 9 April 2021	Mikenty Pty Ltd <Bowes Family A/C>	10,000,000
Unquoted options exercisable at \$0.06 on or before 9 April 2021	Mr David Woodall	20,000,000
Unquoted options exercisable at \$0.06 on or before 30 August 2021	BW Equities Pty Ltd	10,000,000
Unquoted options exercisable at \$0.08 on or before 30 August 2021	BW Equities Pty Ltd	10,000,000
Unquoted options exercisable at \$0.06 on or before 15 March 2022	Charterhouse Capital Pty Ltd	20,000,000

ASX Additional Information

Schedule of mining tenements as at date of this Report

Country	Tenement	Interest	Status
Ontario, Canada	4287909	70%	Granted
Ontario, Canada	4287910	70%	Granted
Ontario, Canada	4287911	70%	Granted
Ontario, Canada	4274196	70%	Granted
Ontario, Canada	4274197	70%	Granted
Ontario, Canada	4244161	70%	Granted
Ontario, Canada	4244162	70%	Granted
Ontario, Canada	4244163	70%	Granted
Ontario, Canada	4244751	70%	Granted
Ontario, Canada	4274195	70%	Granted
Ontario, Canada	3001231	70%	Granted
Ontario, Canada	4284603	70%	Granted
Ontario, Canada	4287912	70%	Granted
Ontario, Canada	4287913	70%	Granted
Ontario, Canada	4287914	70%	Granted
Ontario, Canada	4287915	70%	Granted
Ontario, Canada	4287916	70%	Granted
Ontario, Canada	4287917	70%	Granted
Ontario, Canada	4287918	70%	Granted
Ontario, Canada	4287919	70%	Granted
Ontario, Canada	4287920	70%	Granted
Ontario, Canada	4287921	70%	Granted
Ontario, Canada	4287922	70%	Granted
Ontario, Canada	4287923	70%	Granted
Ontario, Canada	4287924	70%	Granted
Ontario, Canada	4287925	70%	Granted
Ontario, Canada	4284634	70%	Granted
Ontario, Canada	4284639	70%	Granted
Ontario, Canada	4284644	70%	Granted
Ontario, Canada	4284628	70%	Granted
Ontario, Canada	4284629	70%	Granted
Ontario, Canada	4284630	70%	Granted
Ontario, Canada	4284631	70%	Granted
Ontario, Canada	4284632	70%	Granted
Ontario, Canada	4284633	70%	Granted

ASX Additional Information

Ontario, Canada	4284635	70%	Granted
Ontario, Canada	4284636	70%	Granted
Ontario, Canada	4284637	70%	Granted
Ontario, Canada	4284638	70%	Granted
Ontario, Canada	4284640	70%	Granted
Ontario, Canada	4284641	70%	Granted
Ontario, Canada	4284642	70%	Granted
Ontario, Canada	4284643	70%	Granted
Ontario, Canada	4284648	70%	Granted
Ontario, Canada	4284680	70%	Granted
Ontario, Canada	4284684	70%	Granted
Ontario, Canada	4284601	70%	Granted
Ontario, Canada	4284606	70%	Granted
Ontario, Canada	4284602	70%	Granted
Ontario, Canada	4284604	70%	Granted
Ontario, Canada	4284605	70%	Granted
Ontario, Canada	4284607	70%	Granted
Ontario, Canada	4284608	70%	Granted
Ontario, Canada	4284609	70%	Granted
Ontario, Canada	4284610	70%	Granted
Ontario, Canada	4284617	70%	Granted
Ontario, Canada	4284645	70%	Granted
Ontario, Canada	4284646	70%	Granted
Ontario, Canada	4284647	70%	Granted
Ontario, Canada	4284649	70%	Granted
Ontario, Canada	4284650	70%	Granted
Ontario, Canada	4284679	70%	Granted
Ontario, Canada	4284681	70%	Granted
Ontario, Canada	4284682	70%	Granted
Ontario, Canada	4284683	70%	Granted
Ontario, Canada	4284611	70%	Granted
Ontario, Canada	4284612	70%	Granted
Ontario, Canada	4284613	70%	Granted
Ontario, Canada	4284614	70%	Granted
Ontario, Canada	4284615	70%	Granted
Ontario, Canada	4284616	70%	Granted
Ontario, Canada	4284618	70%	Granted
Ontario, Canada	4284619	70%	Granted
Ontario, Canada	4284620	70%	Granted

ASX Additional Information

Ontario, Canada	4284621	70%	Granted
Ontario, Canada	4284622	70%	Granted
Ontario, Canada	4284623	70%	Granted
Ontario, Canada	4284624	70%	Granted
Ontario, Canada	4284625	70%	Granted
Ontario, Canada	4284626	70%	Granted
Ontario, Canada	4284627	70%	Granted
Western Australia, Australia	E33/477	100%	Granted