



SUPERIOR LAKE
R E S O U R C E S

ABN 64 139 522 553

Interim Financial Report

for the half year ended 30 June 2019

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

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1202 Hay Street

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Tel: (08) 6117 0479

Share Registry

Automic Registry Services

Level 5, 126 Philip Street

SYDNEY NSW 2000

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Auditors

Bentleys Audit & Corporate (WA) Pty Ltd

London House,

Level 3, 216 St Georges Terrace

PERTH WA 6000

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Website

www.superiorlake.com.au

Securities Exchange Listing

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

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Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the **Group**) comprising Superior Lake Resources Ltd (**Superior Lake** or the **Company**) and the entities it controlled at the end of, or during, the half year ended 30 June 2019 and the auditor's report thereon. Superior Lake is a company limited by shares that is incorporated and domiciled in Australia.

DIRECTORS AND COMPANY SECRETARY

The following persons were Directors of Superior Lake (**Directors**) during the half year ended 30 June 2019 and up to the date of this report:

Mr Keong Chan (Chairman)

Mr Grant Davey

Mr Peter Williams

Company Secretary

Mr Stuart McKenzie (Appointed 6 March 2019)

Mr Mathew O'Hara (Resigned 6 March 2019)

PRINCIPAL ACTIVITIES

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

BASIS OF PREPARATION

The attached Interim Financial Report for the half year ended 30 June 2019 contains an independent auditor's review report which includes an unqualified, unmodified review opinion.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant or material changes to the Company's state of affairs not otherwise disclosed in this report.

REVIEW OF OPERATIONS

A review of the Company operations for the half year ended 30 June 2019 is set out below.

Results of operations

A summary of results for the half year ended 30 June 2019 is as follows:

| | June 2019 \$ | June 2018 \$ |
|-----------------------------------|-----------------|-----------------|
| Net loss after income tax | (3,960,839) | (13,953,561) |
| attributable to: | | |
| Tenement and exploration expense | (2,837,601) | (250,910) |
| Corporate and transaction expense | - | (12,137,021) |
| Administrative expense | (265,675) | (296,970) |
| Employee benefit expense | (237,058) | (1,231,976) |

Concentrate Offtake

During the half-year, the Company received two non-binding indicative proposals regarding concentrate offtake. These proposals provide guidance on pricing, treatment and refining charges and product specification. Receiving such indicative proposals from the world's largest metal traders highlights the quality of the concentrate expected to be produced at the Project, with favourable grades and minimal deleterious elements. These proposals are the first step towards securing binding offtake agreements.

Discussions with potential offtake partners has also highlighted the possibility of additional funding outside of the senior project finance facility to be linked with offtake. An offtake related financing is typically in the form of mezzanine debt or concentrate pre-payments. This funding would further reduce the equity component for financing project development.

In North America, there are currently four operating zinc smelters: CEZinc smelter in Salaberry-de-Valleyfield, Quebec, HudBay Minerals in Flin Flon, Manitoba, Teck Resources in Trail, BC and Nyrstar in Clarksville, Tennessee.

The concentrate produced at Superior Lake can access each smelter using existing rail and road infrastructure. Superior Lake's unique location and access to the Canadian rail network, which in turn provides access to the Canadian port system, both on the East and West coast, also allows for relatively easy access to both European and Asian smelters.

Zinc and copper concentrate specifications

Prior to its closure in 1998 due to a sustained period of low zinc prices, the Project produced zinc and copper concentrates for a decade. The historical operation provided the Company with excellent concentrates specifications.

These historical concentrates specifications were the primary source of information used by the Company in the Restart Study. The Restart Study estimated the following concentrate production.

- Zinc concentrate – 88,000tpa of zinc concentrate (45,000t of contained zinc metal); and
- Copper Concentrate – 6,700 tpa copper concentrate (25% Cu, 11g/t Au and 310g/t Ag).

As part of the BFS, additional independent testwork is being completed by SGS Lakefield in Canada, primarily to complete confirmatory testwork on the fresh ore from the mid-Pick zone.

Permitting and approval process update

In the province of Ontario, The Ministry of Energy Northern Development and Mines (**MENDM**) coordinates with other key departments, including The Ministry of Environment, Conservation and Parks (**MOECP**), and The Ministry of Natural Resources and Forestry (**MNR**) regarding the key permitting and approvals requirements.

The Company recognises that a collaborative and consultative approach that involves all potential Indigenous rights holders and interested stakeholder groups is a key requirement.

The DFS is the critical document required for a number of the key permits and approvals for the redevelopment of the Project. Given the Company's expectations on the timing for receipt of such key permits and approvals and following a benchmarking exercise of other recent mining development projects in Ontario, the Company anticipates that the approvals required to commence development during 1H2020 will be in place.

Key permits and approvals required for the commencement of the redevelopment of the Project include:

1. Water pumping – two permits have been submitted for approval regarding water pumping. These permits include to take water of >50,000 L/day from the mine workings as well as a permit to take water of >50,000 L/day from the freshwater reservoir.
2. Consultation and agreements with Indigenous groups – this is a continuous process and the Company is taking a collaborative and consultative approach. These discussions will increase post the release of the BFS as this is the critical document for this work.
3. Environmental assessment where particular Project components or activities are subject to the federal or provincial processes. These discussions will increase post the release of the BFS as this is the critical document for this work.
4. Notice of Project Status and Notice of Material Change to the MENDM is inclusive of the following information and will all be submitted as part of the BFS.
 - an operating plan (Project description, site plan, site access details, targeted minerals, Project term, number of workers, operating schedule);
 - map of Project boundaries;
 - uses of adjacent land and water;
 - owners, occupants and users of Project land and immediately adjacent land; and
 - Project schedule.

5. Closure Plan Amendment (CPA) with Financial Assurance for mine development and operation. Certain aspects of the CPA will be completed as part of the DFS. However, the CPA can only be finalised once the Project ownership has been transferred to the Company. The Company currently has an option to acquire the Winston Lake Mine from First Quantum Minerals (ASX announcement 21st February 2018).

Exploration

During the half-year, the Company reported an increase in the Mineral Resource at the Project to 2.35 Mt at 17.7 %Zn, 0.9% Cu (see Table 1 below) (ASX Announcement 7 March 2019).

Table 1: Superior Lake Mineral Resource at 3% Zn cut-off grade

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

This represents a 10% increase compared to the previously reported resource on 3 July 2018. The additional 200,000 tonnes of resources was defined at the Mid-Pick area, which is located adjacent to the planned Pick Lake decline, and is expected to be easily accessed without the requirement for changes to mine development, with favourable implications for mine life and improved economics.

Brownfields exploration program

The brownfields exploration program which commenced in 2018, has incorporated multiple modern exploration techniques, many used for the first time at the Project, and targeted only a small portion (9km²) of the total tenement area (175km²). This brownfields area, which is located adjacent to the significant existing infrastructure, was selected due to its high prospectivity as it hosts two known high-grade VMS deposits (Winston Lake and Pick Lake).

The program included the following three phases.

1. Structural and litho-geochemical program – seven targets identified
2. Drill program and Down the Hole Transient Electromagnetics (**DHTEM**) – Pick Lake deposit
3. High powered, Fixed Loop Transient Electromagnetics (**FLTEM**) geophysics program testing identified and unknown targets.

PHASE 1 – Structural and litho-geochemical program

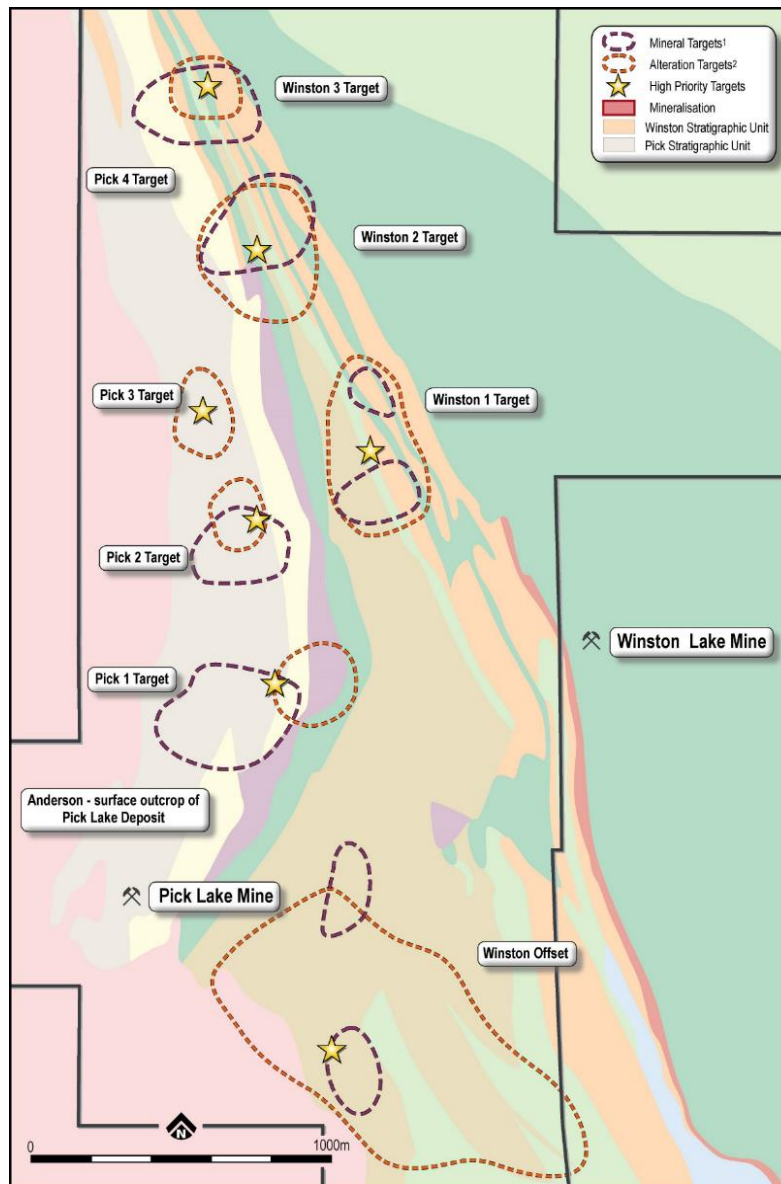
Phase 1 comprised surface mapping to identify the alteration and mineralogy from rock chip sampling as part of a litho-geochemistry review.

This program identified seven high priority targets (see Figure 1), which were ranked by alteration intensity and mineralisation showing, with the results reported on 30 January 2019.

This work confirmed two distinct mineralised stratigraphic intervals that host the Pick Lake and Winston Lake Deposits. Versatile time domain electromagnetic (**VTEM**) anomalies were used as a lead indicator to the possible location of alteration. Field inspection of these VTEM anomalies, observation of mineralogy and litho-geochemical assays of rock samples, confirmed the alteration as VMS style.

Confirmation of the two trends of anomalies along the same stratigraphy, and that anomalies are uniformly distributed (a key feature of VMS deposits), provided the Company with significant confidence to complete a major high-powered FLTEM program (ASX Announcement 30 January 2019).

Figure 1: High Priority Targets Identified at Superior Lake



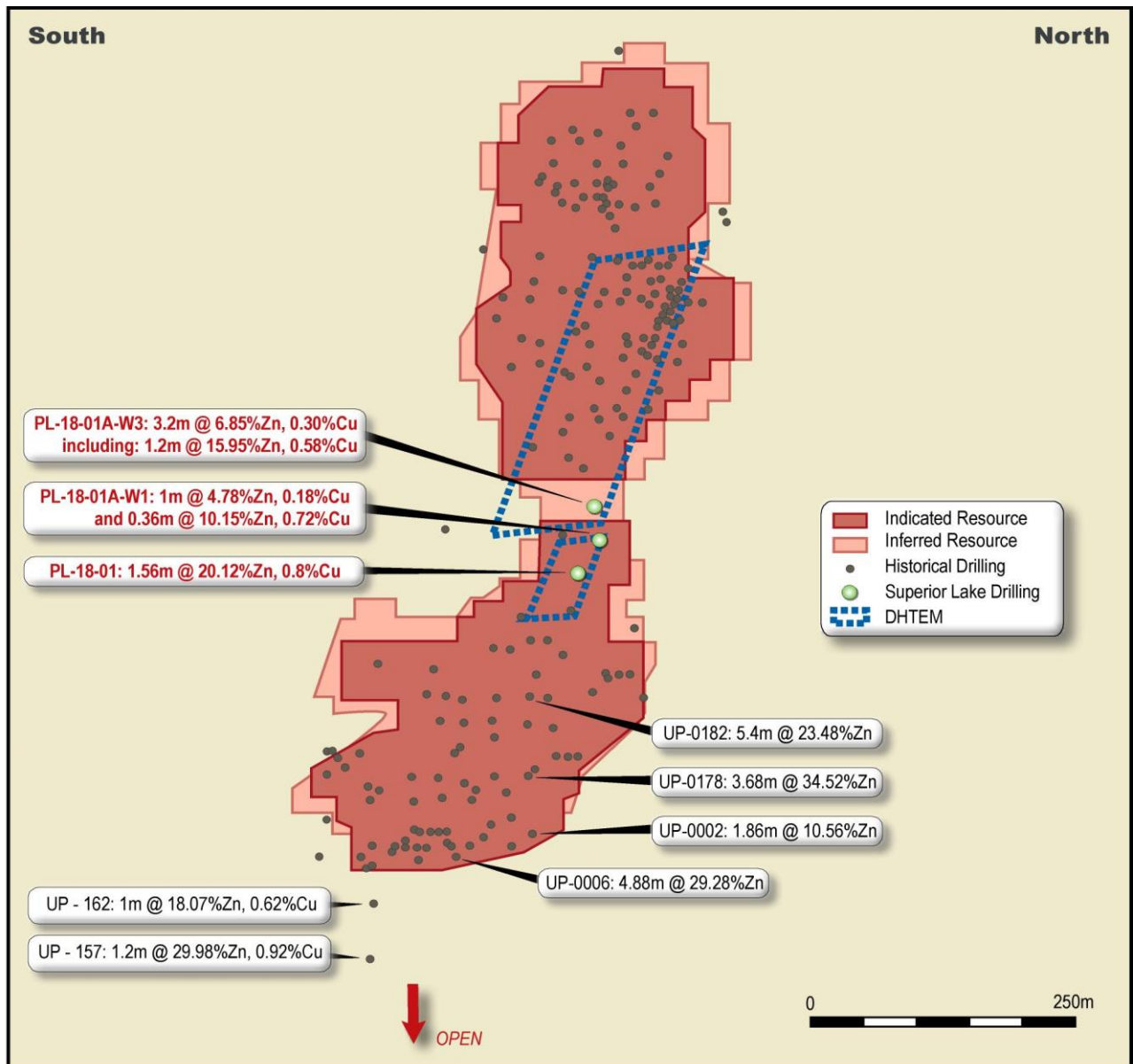
Notes:

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)

PHASE 2 – Drill program and Down the Hole Transient Electromagnetics

Phase 2 involved drilling of the Mid-Pick area targeting additional resources that have the potential to further enhance the project economics. This was the first drill program at Superior Lake in more than 20 years. The aim of the program was to confirm the continuity and grade of mineralisation through Mid-Pick as this area was previously outside of the JORC resource.

Figure 2: Drilling at the Superior Lake Project



This program was successful as the drill results were in line with expectations, confirmed high-grade zinc mineralisation through the Mid-Pick area and led to the increase in the Mineral Resource as highlighted in Table 1 above. Intersections from the drill program included the following (ASX Announcement 20 March 2019):

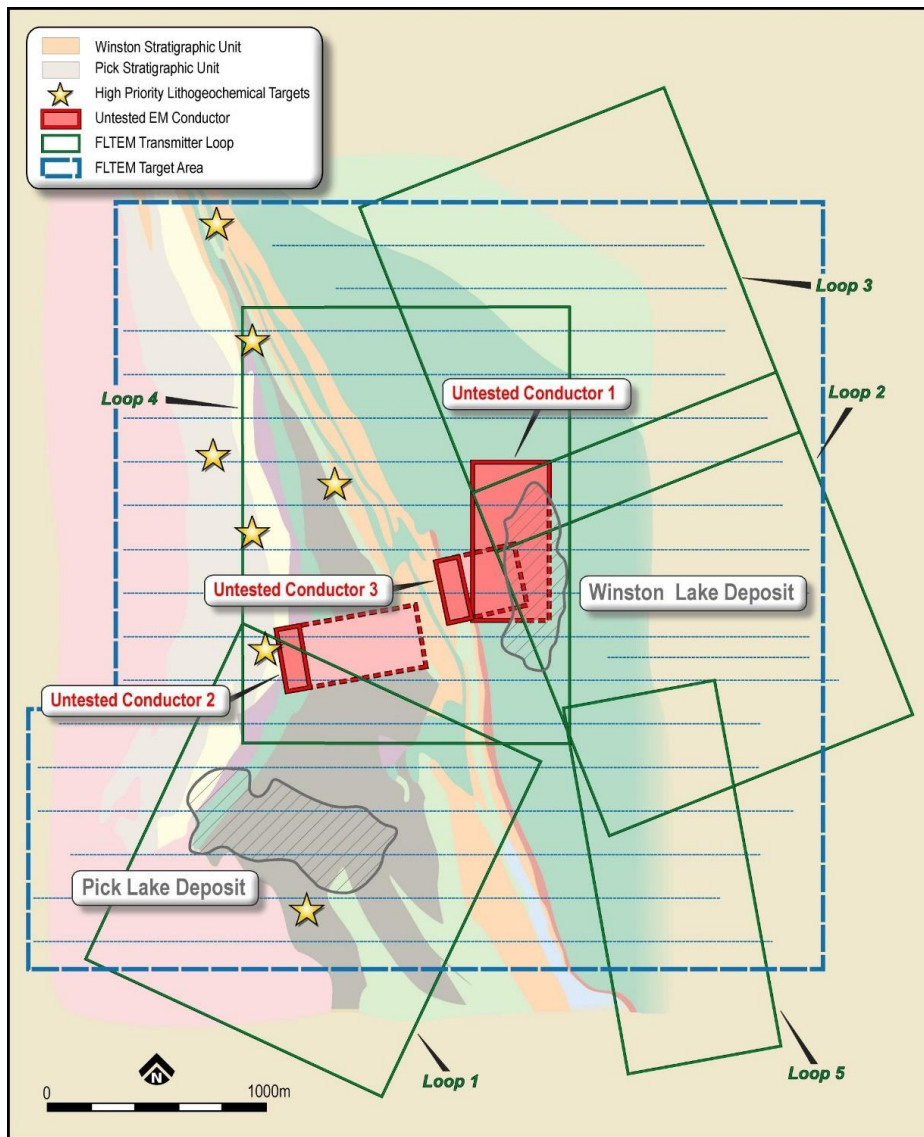
- PL-18-01 1.56m @ 20.12% Zn and 0.80% Cu
- PL-18-01A-W1 1.0m @ 4.78% Zn and 0.18% Cu
- PL-18-01A-W2 dislodged wedge resulting in lost hole
- PL-18-01A-W3 3.7m @ 5.95% Zn and 0.28% Cu, inclusive of 1.0m 15.95% Zn and 0.58% Cu

Following the drill program, a DHTEM program was completed at Pick Lake. As Pick Lake is a known deposit, this was a “test case” to confirm if EM could successfully detect and define potential mineralisation. The results of the DHTEM program 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.

PHASES 3 – Fixed Loop Electromagnetics geophysics program

Following the success of the DHTEM program a high-powered FLTEM surveying was undertaken across the brownfields exploration area. This program targeted the high priority targets identified through Phase 1 of the Brownfields exploration program. Figure 3 below highlights the target areas from the five loop FLTEM program.

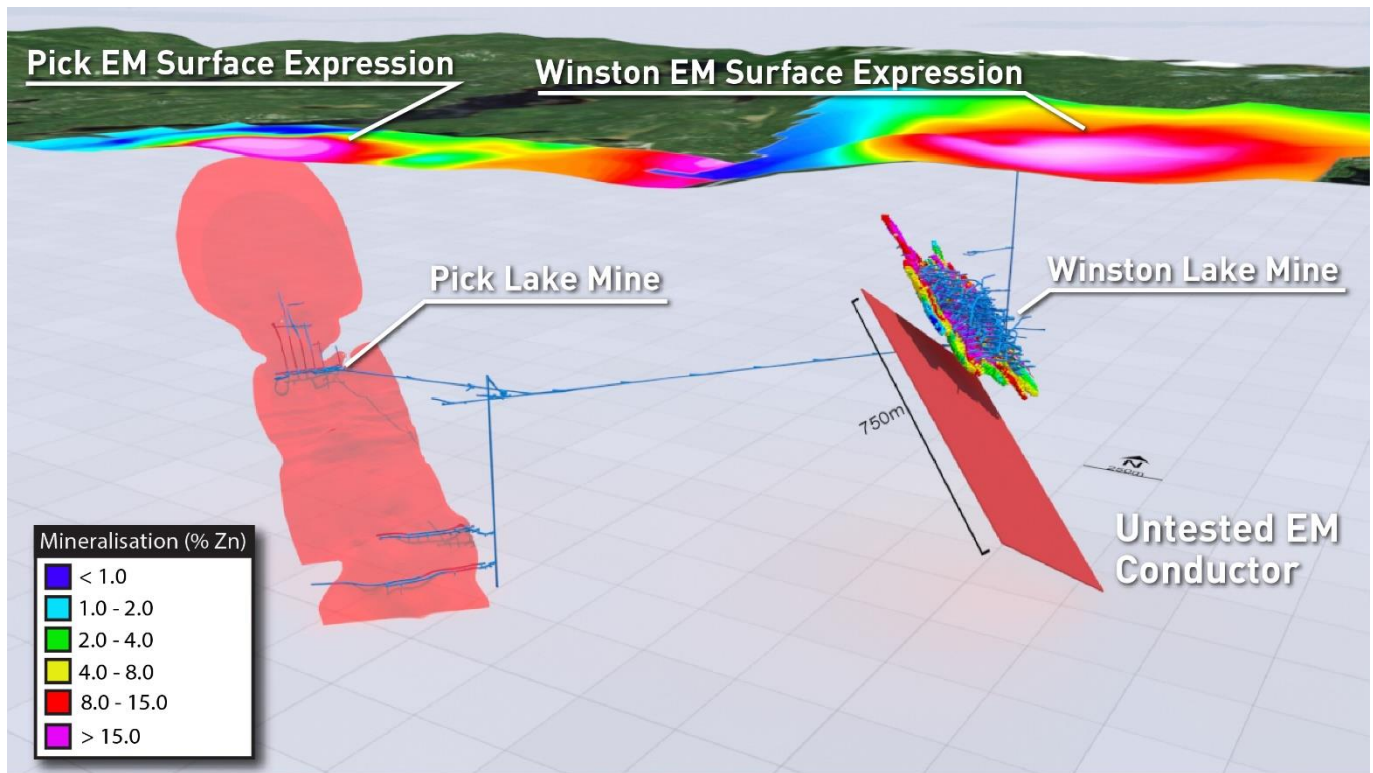
Figure 3: Map of the FLTEM target areas and identified anomalies



Loop 1 of the program targeted the Pick Lake area. The Pick Lake deposit was again clearly identifiable, which provided further confidence in electromagnetics as a highly appropriate exploration technique to assist in detecting new mineralisation.

Loop 2 of the program identified a new major conductive anomaly adjacent to the Winston Lake deposit in the footwall. This anomaly is significant as it measures 750m x 500m. The location of the anomaly in relation to both Winston and Pick Lake is highlighted in Figure 4 below.

Figure 4. Comparison between untested EM conductor and known Pick Lake deposit



Loop 4 survey results highlighted 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 30 January, 2019 (“Multiple near mine zinc targets identified”). Identification of a strong conductor within a geological environment confirmed as favourable for VMS mineralisation by geochemistry and alteration mapping is a significant development.

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

Given the depth of each anomaly and their respective proximity to existing underground mine infrastructure, the Company will not drill test these targets until the underground mine has been re-entered. Subject to securing the required finance, the Company plans to recommence development of the Project during 2020. This approach significantly reduces the cost and time and allows for more efficient access to enable testing of each anomaly.

Exploration to test and define geophysical anomalies

Subsequent to the half-year end, the Company announced that it plans to commence a 1,900m drilling and geophysics program at the Project. The drilling program and the DHTEM survey is targeting three major near mine geophysical anomalies identified above.

The FLTEM survey targeted a small 9km² area surrounding the existing resource and mine infrastructure. This area was selected as any new discovery could be accessed more efficiently and economically through the existing mine development, thereby allowing for a potential increase in future production and / or extension of mine life.

Pick North EM Anomaly

The Pick North conductor (untested Conductor 3 in Figure 3 above), is a chargeable anomaly located to the north of the Pick Lake orebody that is supported by the “Pick 1” alteration/lithogeochemical target described in the ASX announcement dated 30 January 2019. This identification of a strong conductor along strike from known economic VMS mineralization, supported by geochemistry and alteration mapping is a significant development and gives strong support to the target.

This anomaly is modelled at approximately 650m in depth and will be tested with a single 700m drillhole followed by DHTEM. The DHTEM will search an area with a radius of approximately 200m.

Winston Deep EM Anomaly

Winston Deep (untested Conductor 2 in Figure 3 above) is a shallow conductor in the footwall to the Winston Lake orebody with modelled dimensions of 200m x 120m. This anomaly is modelled at a depth of approximately 475m and will be tested with a single drillhole to a depth of 500m followed by DHTEM. The DHTEM will search an area with a radius of approximately 200m.

Winston Footwall South EM Anomaly

Winston Footwall South (untested Conductor 1 in Figure 3 above), is a new major conductive anomaly located adjacent to the Winston Lake deposit in the footwall. This anomaly is significant as it measures 300m x 150m, has not been tested by historical drilling and is very proximal to existing underground mine infrastructure. The anomaly is modelled around 650m in depth and will be tested with a single 700m drillhole followed by DHTM. The DHTM will search an area with a radius of approximately 200m.

Post year end Bankable Feasibility Study, Maiden Ore Reserve and Finance Developments

Subsequent to year end (ASX announcement, 28 August 2019), the Company announced the results of the Bankable Feasibility Study (BFS) which confirmed:

- Excellent project economics;
- Mining predominantly derived from the Pick Lake Ore Reserve;
- Geophysical anomalies providing exploration upside with potential for extensions to mine life;
- Project development enhanced by significant existing infrastructure from previous mining and processing operations; and
- Continued progress with project finance process.

The material economics of the project are set out in Table 2 below.

Table 2: BFS Project Financial Summary

| Criteria | Unit | Value |
|------------------------------|---------------------|-------|
| NPV ₈ (pre-tax) | US\$M | 158 |
| NPV ₈ (post-tax) | US\$M | 115 |
| IRR (pre-tax) | % | 31% |
| IRR (post-tax) | % | 27% |
| EBITDA / annum (average LOM) | US\$M | 34 |
| Initial Capital Cost | US\$M | 87 |
| Owners and Pre-production | US\$M | 10 |
| Production (average LOM) | k/pa contained zinc | 32 |
| Zinc pricing (long-term) | US\$ p/lb Zn | 1.22 |
| C1 Operating Cost | US\$ p/lb Zn | 0.35 |
| AISC Cost (average LOM) | US\$ p/lb Zn | 0.46 |
| LOM | Years | 9 |

The BFS was underpinned by the Company's maiden Ore Reserve of 1.96 million tonnes at 13.9 % Zn, 0.6% Cu, 0.2 g/t Au and 26.2g/t Ag, which was announced on 28 August 2019. The BFS, which supports this Ore Reserve, is based on a production schedule consisting of 93% material classified as Ore Reserve and 7% material classified as an Inferred Mineral Resource. The Ore Reserve is set out in Table 3 below.

Table 3: Superior Lake Ore Reserve

| Classification | Tonnage (Mt) | Zn% | Cu% | Au g/t | Ag g/t |
|----------------|--------------|------|-----|--------|--------|
| Probable | 1.96 | 13.9 | 0.6 | 0.2 | 26.2 |
| Total | 1.96 | 13.9 | 0.6 | 0.2 | 26.2 |

Orimco Resource Investment Advisers (**Orimco**), the Company's advisors with respect to project financing, sent an Information Memorandum to numerous major global banks and resource funds based in both Australia and overseas during the year. Pursuant to the financing process the Company has received multiple non-binding indicative proposals for financing the development of the Project. These proposals range between US\$50m and US\$70m.

Reference to previous ASX announcements

In relation to prior exploration results reported in this announcement, Matador confirms that it is not aware of any new information or data that materially affects the information included in those announcements.

In relation to the Mineral Resource estimate previously reported on 7 March 2019, Superior Lake confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 7 March 2019 and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in the announcement of 7 March 2019 continue to apply and have not materially changed.

In relation to the Ore Reserve estimate previously reported on 28 August 2019, Superior Lake confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 28 August 2019 and that all material assumptions and technical parameters underpinning the Ore Reserve estimate in the announcement of 28 August 2019 continue to apply and have not materially changed.

In relation to the results of the Bankable Feasibility Study that were announced on 28 August 2019, Superior Lake confirms that all material assumptions underpinning the technical and financial information from the 28 August 2019 announcement continue to apply and have not materially changed.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor’s independence declaration as required under section 307 of the Corporation Act 2001 is set out on page 12. This Interim Financial Report is made in accordance with a resolution of the Directors.



Mr Keong Chan
Non-Executive Chairman
9 September 2019

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To the Board of Directors

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

As lead audit partner for the review of the financial statements of Superior Lake Resources Limited for the period ended 30 June 2019, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



CHRIS NICOLOFF CA
Partner

Dated at Perth this 9th day of September 2019

Financial Report

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

HALF YEAR ENDED 30 JUNE 2019

| | Notes | Group 30-Jun 2019 \$ | Group 30-Jun 2018 \$ |
|---------------------------------------------------------------------------------------------------------------------|-------|-------------------------------|-------------------------------|
| Other income | | 45,241 | 2,683 |
| Depreciation expense | | (852) | (838) |
| Tenement and exploration expenses | | (2,837,601) | (250,910) |
| Corporate transaction cost | 8 | - | (12,137,021) |
| Accounting, tax and audit fees | | (149,683) | (29,426) |
| Occupancy expenses | | (49,593) | (9,103) |
| Administrative expenses | | (265,675) | (296,970) |
| Employee benefit expenses and consultancy fees | | (237,058) | (279,467) |
| Share based payments | | (353,162) | (952,509) |
| Business development | | (102,073) | - |
| Other expenses | | (10,383) | - |
| LOSS BEFORE INCOME TAX | | (3,960,839) | (13,953,561) |
| Income tax expense | | - | - |
| LOSS FOR THE HALF YEAR | | (3,960,839) | (13,953,561) |
| LOSS FOR THE HALF YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF SUPERIOR LAKE RESOURCES LIMITED | | (3,960,839) | (13,953,561) |
| 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 | | 83,000 | 83,000 |
| Other Comprehensive (loss)/income for the year | | 83,000 | 83,000 |
| TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR | | (3,877,839) | (13,870,561) |
| TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF SUPERIOR LAKE RESOURCES LIMITED | | (3,877,839) | (13,870,561) |
| Basic and diluted loss per share (cents per share) | | (0.46) | (2.41) |

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

Financial Report

Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

| | Notes | Group 30-Jun 2019 \$ | Group 31-Dec 2018 \$ |
|----------------------------------------|-------|-------------------------------|-------------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 1,639,443 | 4,229,052 |
| Other financial assets | 4 | 207,500 | - |
| Trade and other receivables | | 322,780 | 139,588 |
| TOTAL CURRENT ASSETS | | 2,169,723 | 4,368,640 |
| NON-CURRENT ASSETS | | | |
| Other financial assets | 4 | 20,000 | 144,500 |
| Exploration & evaluation assets | 5 | 977,279 | 954,657 |
| Property, plant and equipment | | 4,724 | 5,576 |
| TOTAL NON-CURRENT ASSETS | | 1,002,003 | 1,104,733 |
| TOTAL ASSETS | | 3,171,726 | 5,473,373 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,071,303 | 903,167 |
| Funds received for shares to be issued | 7 | 1,050,500 | 300,000 |
| Provisions | | 22,953 | 15,598 |
| TOTAL CURRENT LIABILITIES | | 2,144,756 | 1,218,765 |
| TOTAL NON-CURRENT LIABILITIES | | - | - |
| TOTAL LIABILITIES | | 2,144,756 | 1,218,765 |
| NET ASSETS | | 1,026,970 | 4,254,608 |
| EQUITY | | | |
| Contributed equity | 7 | 19,299,887 | 19,002,847 |
| Share based payments reserve | 6 | 1,974,189 | 1,621,028 |
| Investment revaluation reserve | | (41,500) | (124,500) |
| Accumulated losses | | (20,205,606) | (16,244,767) |
| TOTAL EQUITY | | 1,026,970 | 4,254,608 |

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

Financial Report

Condensed Consolidated Statement of Changes in Equity

| HALF YEAR ENDED 30 JUNE 2019 | Contributed Equity \$ | Accumulated Losses \$ | Share Based Payments Reserve \$ | Investment Revaluation Reserve \$ | Total \$ |
|-------------------------------------------------------------|-----------------------------|-----------------------------|------------------------------------------|--------------------------------------------|------------------|
| Balance at 1 January 2019 | 19,002,847 | (16,244,767) | 1,621,028 | (124,500) | 4,254,608 |
| Loss for the half year | - | (3,960,839) | - | - | (3,960,839) |
| Changes in fair value of financial assets | - | - | - | 83,000 | 83,000 |
| Total comprehensive (loss)/income for the year | - | (3,960,839) | - | 83,000 | (3,877,839) |
| Transactions with owners in their capacity as owners | | | | | |
| Issue of shares | 300,000 | - | - | - | 300,000 |
| Less: Share issue costs | (2,960) | - | - | - | (2,960) |
| Share based payments | - | - | 353,161 | - | 353,161 |
| Balance at 30 June 2019 | 19,299,887 | (20,205,606) | 1,974,189 | (41,500) | 1,026,970 |

| HALF YEAR ENDED 30 JUNE 2018 | Contributed Equity \$ | Accumulated Losses \$ | Share Based Payments Reserve \$ | Investment Revaluation Reserve \$ | Total \$ |
|-------------------------------------------------------------|-----------------------------|-----------------------------|------------------------------------------|--------------------------------------------|------------------|
| Balance at 1 January 2018 | 1 | - | - | - | 1 |
| Loss for the half year | - | (13,953,561) | - | - | (13,953,561) |
| Changes in fair value of financial assets | - | - | - | 83,000 | 83,000 |
| Total comprehensive (loss)/income for the year | - | (13,953,561) | - | 83,000 | (13,870,561) |
| Transactions with owners in their capacity as owners | | | | | |
| Issue of shares | 15,011,003 | - | - | - | 15,011,003 |
| Share based payments | - | - | 952,509 | - | 952,509 |
| Balance at 30 June 2018 | 15,011,004 | (13,953,561) | 952,509 | 83,000 | 2,092,952 |

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

Financial Report

Condensed Consolidated Statement of Cash Flows

HALF YEAR ENDED 30 JUNE 2019

| Notes | Group Year ended 30-Jun 2019 \$ | Group Year ended 30-Jun 2018 \$ |
|---------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees (inclusive of GST) | (669,074) | (626,998) |
| Interest received | 27,305 | 2,683 |
| Other income received | 17,937 | - |
| Payments for exploration and evaluation activities | (2,950,306) | (166,229) |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | (3,574,138) | (790,544) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash acquired through business combination | - | 96,388 |
| Purchase of property, plant and equipment | - | (2,791) |
| Payments for exploration: acquisition costs | (52,622) | (500,000) |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | (52,622) | (406,403) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | - | 2,500,000 |
| Payment received for shares issued after year end | 1,047,540 | - |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | 1,047,540 | 2,500,000 |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,579,220) | 1,303,053 |
| Cash and cash equivalents at the beginning of the year | 4,229,052 | - |
| Effects of exchange rate changes on cash and cash equivalents | (10,389) | - |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 1,639,443 | 1,303,053 |

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

Notes to the Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

Superior Lake Resources Ltd (**Superior lake** or the **Company**) is a company incorporated in Australia and limited by shares. Superior Lake shares are traded on the Australian Securities Exchange under the stock code SUP. The Condensed Consolidated Interim Financial Report of the Company as at, and for the half year ended, 30 June 2019 comprise the Company and its subsidiaries (together the **Group**).

During the half year, the principal continuing activities of the Group consisted of exploration and development of the Pick Lake and Winston Lake zinc projects in Ontario Canada.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2018 are available online at www.superiorlake.com.au or upon request from the Company's registered office located at Level 1, Emerald House, 1202 Hay Street, West Perth 6005, Australia.

This financial report was authorised for issue in accordance with a resolution of the Directors on 9 September 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose Interim Financial Report for the half year ended 30 June 2019 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Interim Financial Report does not include all notes of the type normally included within the Annual Financial Report. However, selected explanatory notes are included to explain events and transactions that are important to an understanding of changes in the Group's financial position and performance since the last Annual Consolidated Financial Statements, as of, and for the year ended 31 December 2018.

It is recommended that this Interim Financial Report be read in conjunction with the Annual Report for the year ended 31 December 2018 and considered together with any public announcements made by the Company during the half year ended 30 June 2019 in accordance with the Company's continuous disclosure obligations.

Going Concern

The Interim Financial Report has 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 \$3,960,839 (2018: \$13,953,561) during the half year ended 30 June 2019, net cash outflows from operational and investment activities of \$3,626,760 (2018: \$1,196,947), and a net working capital surplus of \$24,967 (2018: \$1,120,347) at that date. As outlined in note 7 below the Company issued 216,363,122 shares on the 2 July 2019 for which proceeds of \$1,050,500, of the total gross proceeds of \$3,786,355 was received before 30 June 2019. Had all shares for this placement been issued and the entire proceeds received before 30 June 2019 working capital would have been \$3,811,323.

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 Interim Financial Report.

The Directors are satisfied that at the date of this Interim 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:

- On the 2 July 2019 the Company issued a total of 216,363,122 shares at a price of \$0.0175 for gross proceeds before costs of \$3,786,355;
- After completion of the capital raising the Group has sufficient cash reserves to meet its forecast expenditure commitments for the 12 months following the signing of this report;
- 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.

Use of judgements and estimates

The preparation of Interim Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements for the year ended 31 December 2018.

Notes to the Condensed Consolidated Financial Statements (Cont'd)

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 half year.

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

AASB 16 - Leases

During the period AASB 16: Leases became effective.

This Standard replaced the 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.

The adoption of AASB 16 has not had a material impact on the Company's Interim Financial Report.

3. 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.

Notes to the Condensed Consolidated Financial Statements (Cont'd)

| | Group 30 June 2019 \$ | Group 31 December 2018 \$ |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------|
| 4. OTHER FINANCIAL ASSETS | | |
| Current asset | | |
| Financial assets at fair value through other comprehensive income | 207,500 | - |
| | 207,500 | - |
| Non-current asset | | |
| Security bond | 20,000 | 20,000 |
| Financial assets at fair value through other comprehensive income | - | 124,500 |
| | 20,000 | 144,500 |
| Financial assets at fair value through other comprehensive income | | |
| <i>Listed securities – Shares</i> | | |
| Opening balance | 124,500 | 249,000 |
| Fair value movement* | 83,000 | (124,500) |
| Closing Balance | 207,500 | 124,500 |
| * 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 30 June 2019. | | |
| 5. EXPLORATION & EVALUATION ASSETS | | |
| Opening Balance | 954,657 | - |
| Additions / (disposals) | | |
| - Pick Lake | - | 817,054 |
| - Winston Lake | 52,622 | 107,603 |
| - Mt Morley | (30,000) | 30,000 |
| Closing Balance | 977,279 | 954,657 |
| During the year ended 31 December 2018 the Group acquired the above projects and has capitalised acquisition costs directly attributable to these projects during the half year ended 30 June 2019. Mt Morely was relinquished during the half-year. | | |
| 6. SHARE BASED PAYMENTS RESERVE | | |
| (a) Movement in share-based payments | | |
| Opening balance | 1,621,028 | - |
| Share based payments to directors, executives and suppliers | 353,161 | 1,201,528 |
| Share based payments recognised as capital raising costs | - | 419,500 |
| Closing Balance | 1,974,189 | 1,621,028 |

Notes to the Condensed Consolidated Financial Statements (Cont'd)

(b) Share based payments inputs

| Director | Grant date | Number granted | Exercise price (\$) | Value per option (\$) | Value of options granted (\$) | Value of options expensed during half-year | Vesting date | Expiry date |
|-------------------|------------|----------------|---------------------|-----------------------|-------------------------------|--------------------------------------------|----------------------|-------------|
| Mr Keong Chan | 06/03/19 | 20,000,000 | \$0.06 | 0.01 | 202,569 | 202,569 | 06/03/19 | 06/03/22 |
| Mr Peter Williams | 23/02/18 | 20,000,000 | \$0.03 | 0.04 | 808,329 | 150,593 | Various ¹ | 23/02/22 |

¹ 6,666,666 options vest after 12 months from the date of issue, 6,666,666 after 24 months from the date of issue and 6,666,667 after 36 months from the date of issue.

7. ISSUED CAPITAL

| | 30 June 2019 | | 31 December 2018 | |
|---------------------------------------------------|--------------------|-------------------|--------------------|-------------------|
| | Shares | \$ | Shares | \$ |
| (a) Issued and paid up capital | | | | |
| Ordinary fully paid shares | 865,452,492 | 19,299,887 | 856,881,064 | 19,002,847 |
| (b) Movement in ordinary shares | | | | |
| Opening balance at 1 January | 856,881,064 | 19,002,847 | 263,636,362 | 1 |
| Elimination of shares on reverse acquisition | - | - | (263,636,362) | - |
| Superior Lake shares on issue at acquisition | - | - | 231,685,258 | - |
| Issued for acquisition of Superior Mining Pty Ltd | - | - | 263,636,364 | 12,511,003 |
| Issue of shares ¹ | - | - | 361,559,442 | 7,200,035 |
| Issue of shares to Directors ² | 8,571,428 | 300,000 | - | - |
| | 865,452,492 | 19,302,847 | 856,881,064 | 19,711,039 |
| Less: Transaction costs arising on share issues | - | (2,960) | - | (708,192) |
| | 865,452,492 | 19,299,887 | 856,881,064 | 19,002,847 |

¹ On 2 July 2019, the Company issued a total of 216,363,122 shares at a price of \$0.0175 for gross proceeds before costs of \$3,786,355, of which \$1,050,500 of the was received prior to 30 June 2019, however is not reflected above as the corresponding shares were not issued until 2 July 2019. The proceeds of this raise as at 30 June 2019 have therefore been disclosed as a liability in the Condensed Consolidated Balance Sheet.

² The issue of shares for the half year was the issue of 8,571,428 shares to Mr Grant Davey at a price of \$0.035 on 7 September 2018 that was subject to shareholder approval. Shareholder approval was received on 6 March 2019 and the shares issued 15 March 2019.

8. 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 Pty Ltd (**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. 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 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.

Notes to the Condensed Consolidated Financial Statements (Cont'd)

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:

| | 2018 |
|------------------------------------------------------------------|-------------------|
| | <u>Fair Value</u> |
| | \$ |
| 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.

9. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 30 June 2019 (2018: Nil).

10. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to period end on the 2 July 2019 the Company completed a placement of 216,363,122 shares at a price of \$0.0175 per share for gross proceeds before costs of \$3,786,355.

11. RELATED PARTY TRANSACTIONS

Share-based payments received by Directors during the half year are outlined in note 6(b).

Mr. Grant Davey, who is a non-executive Director of the Company is a Director and shareholder of Matador Capital Pty Ltd (**Matador Capital**). The Company makes payments to Matador Capital under a Shared Services Agreement in which Matador Capital provides office space and general office costs to the Company at cost plus 2%. Mr. Davey is also a Director of Graphex Mining Limited, an ASX listed Company that has a Shared Services Agreement with the Company for the provision of company secretarial, accounting and administration services to the Company. Payments made under these arrangements for the half year are set out below.

| | Group 30 June 2019 \$ | Group 31 December 2018 \$ |
|----------------------------------|--------------------------------|------------------------------------|
| Related party transaction | | |
| Graphex Mining Limited | 93,941 | - |
| Matador Capital Pty Ltd | 70,910 | - |
| Total | 164,851 | - |

Directors' Declaration

In accordance with a resolution of the Directors of Superior Lake Resources Ltd (the **Directors**), I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 and:
 - (i) give a true and fair view of the financial position as at 30 June 2019 and the performance for the half year ended on that date of the consolidated entity
 - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the Board



Mr Keong Chan
Non-Executive Director
9 September 2019

Independent Auditor's Review Report

To the Members of Superior Lake Resources Limited

We have reviewed the accompanying financial report of Superior Lake Resources Limited ("the Company") and Controlled Entities ("the Group") which comprises the condensed consolidated statement of financial position as at 30 June 2019, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Group, comprising the Company and the entities it controlled during the period.

Directors Responsibility 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 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Superior Lake Resources Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



BENTLEYS
Chartered Accountants



CHRIS NICOLOFF CA
Partner

Dated at Perth this 9th day of September 2019