



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 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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Share Registry

Automic Registry Services

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Sydney NSW 2000

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Auditors

Bentleys Audit & Corporate (WA) Pty Ltd

London House,

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Website

www.superiorlake.com.au

Securities Exchange Listing

Superior Lake Resources Limited shares are listed on the Australian Securities Exchange under stock code SUP.

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Directors' Report

BASIS OF PREPARATION

Your Directors present their report on the consolidated entity (referred to hereafter as the **Group**) comprising Superior Lake Resources Limited (**Superior** or the **Company**) and the entities it controlled at the end of, or during, the year ended 31 December 2019 and the auditor's report thereon. Superior is a company limited by shares that is incorporated and domiciled in Australia.

The attached financial statements for the year ended 31 December 2019 contains an independent auditor's report which includes a material uncertainty related to going concern. For further information, refer to Note 2 of the financial statements together with the auditor's report.

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
<p>Mr Grant Davey Executive Director (Appointed 27 February 2018)</p>	<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 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) and Graphex Mining Limited (March 2016 – September 2019).</p>
<p>Mr Peter Williams Non-Executive Director (Appointed 27 February 2018)</p>	<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 Keong Chan Non-Executive Chairman & former Company Secretary (Appointed 15 November 2016)</p>	<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. 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), Non-executive Director of Metalsearch Limited (October 2019 – present) and was previously a Non-Executive Director of Hylea Metals Limited (December 2015 – October 2018)</p>

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Name	Particulars
Mr David Woodall Chief Executive Officer (Resigned 9 February 2020)	<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>
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>

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 Keong Chan	-	-
Mr Grant Davey	-	78,920,599
Mr Peter Williams	-	-

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

During the year, effort was focused across three main areas:

- Updating the mineral resource at the Company's Superior Lake Zinc Project (**Superior Lake** or the **Project**);
- Exploration activity; and
- Completion of a Bankable Feasibility Study (**BFS**).

Superior Lake Mineral Resource

Following completion of the Company's inaugural drilling campaign – the first at Superior Lake in over 20 years – the mineral resource at the Project increased by 10% to 2.35 Mt @ 17.7 % Zn, 0.9% Cu, 0.38 g/t Au and 34 g/t Ag, with 88% of the mineral resource classified as indicated resources, as shown in the table below.

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

The drilling confirmed the continuity of mineralisation through the Mid Pick area, which was previously outside of the JORC resource. Mid Pick is located adjacent to the planed Pick decline and therefore should be easily accessed without the requirement for changes to mine development.

Further information on the Superior Lake mineral resource estimate is available in the announcement dated 7th 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 7th March 2019 and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in the announcement of 7th March 2019 continue to apply and have not materially changed.

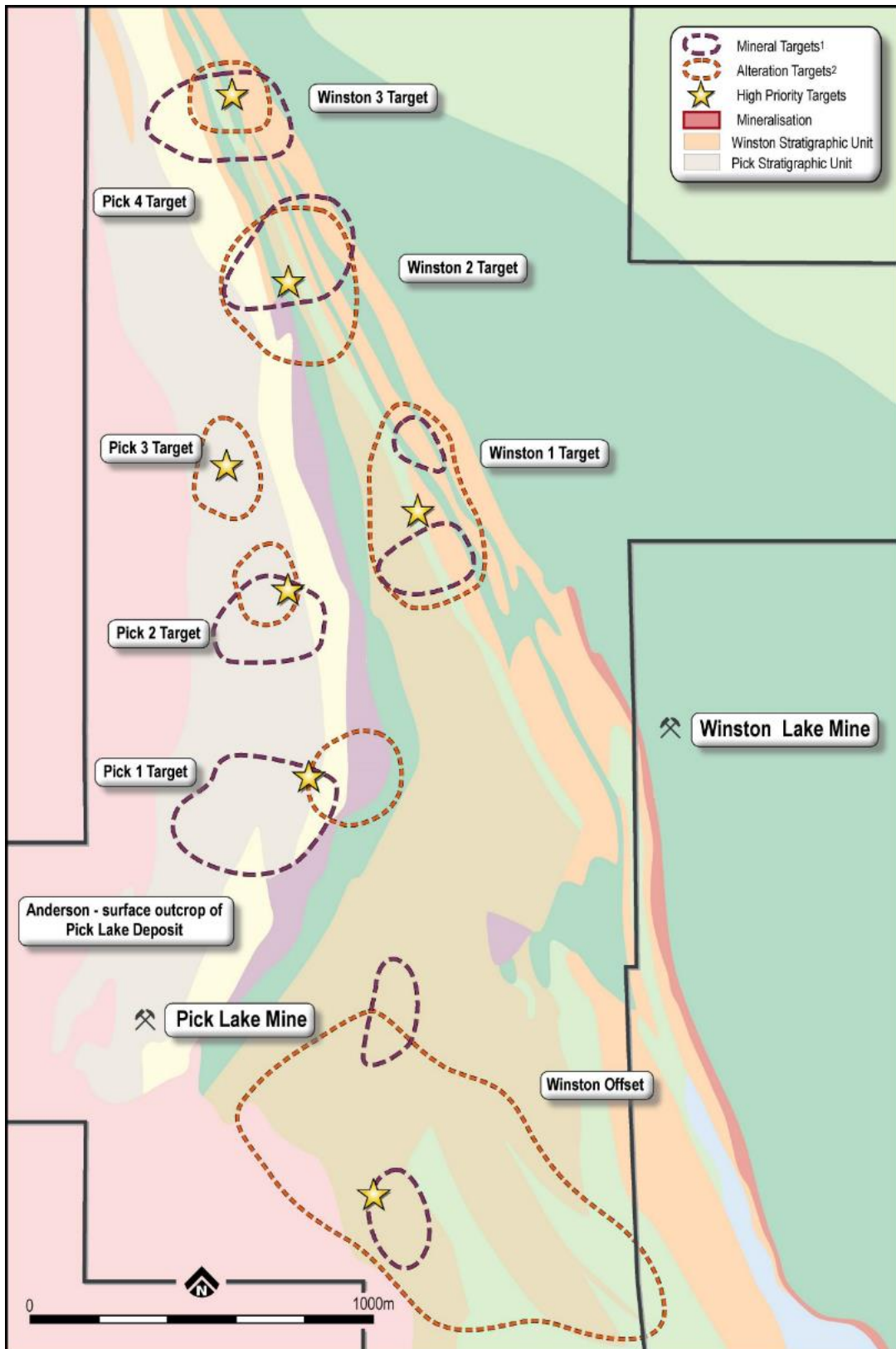
Exploration activity

During the year, the Company completed an exploration program that consisted of four key phases.

Phase 1. Structural and lithogeochemical 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. 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.

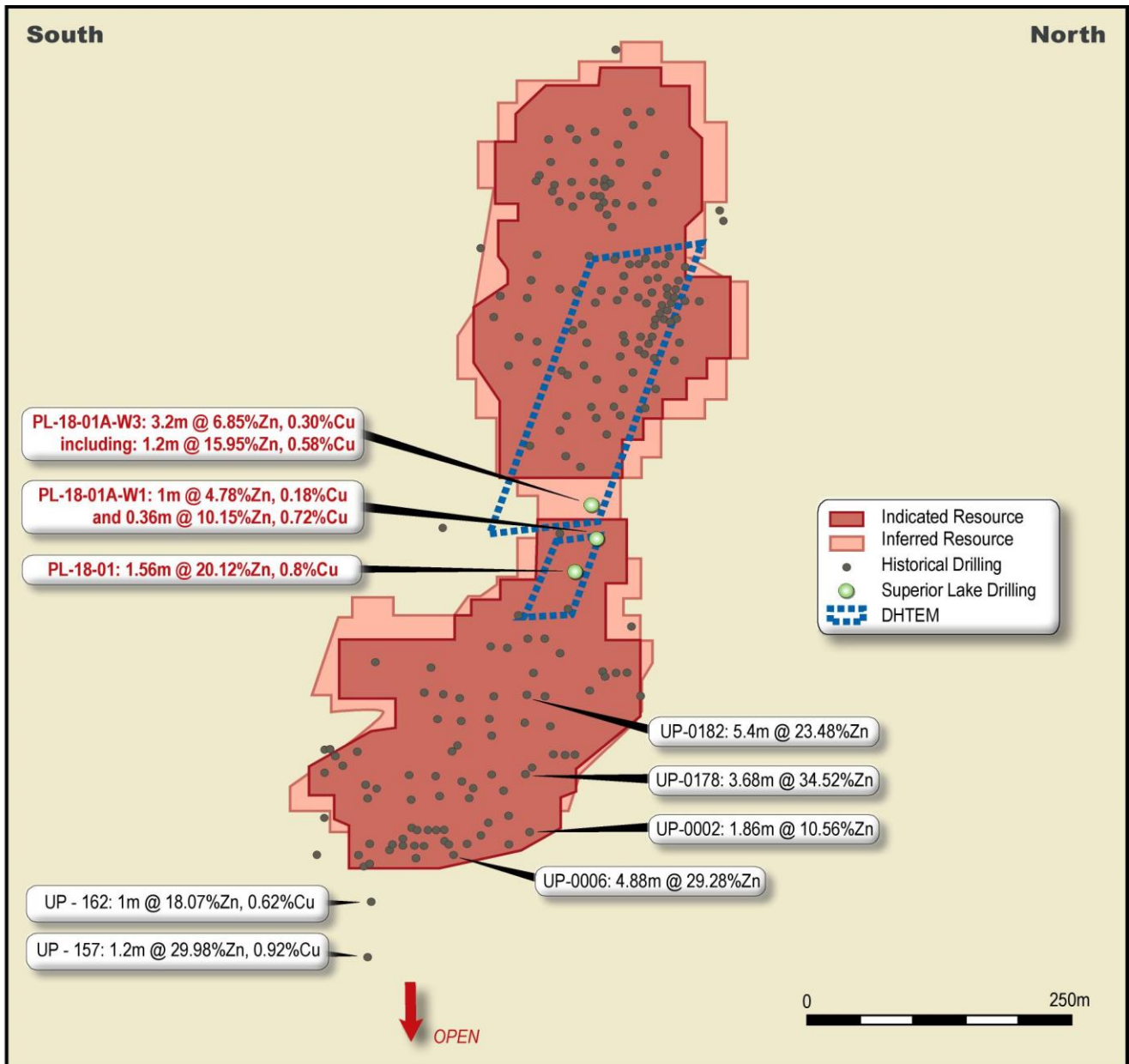
Figure 1: High Priority Targets identified at Superior Lake in Phase 1



Phase 2. Drill program and Down the Hole Transient Electromagnetics

Phase 2 involved drilling of the Mid-Pick area, targeting additional resources in what was the first drilling program at Superior Lake in more than 20 years (Figure 2). This program was successful, as the drilling 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 above.

Figure 2. Drilling at Superior Lake

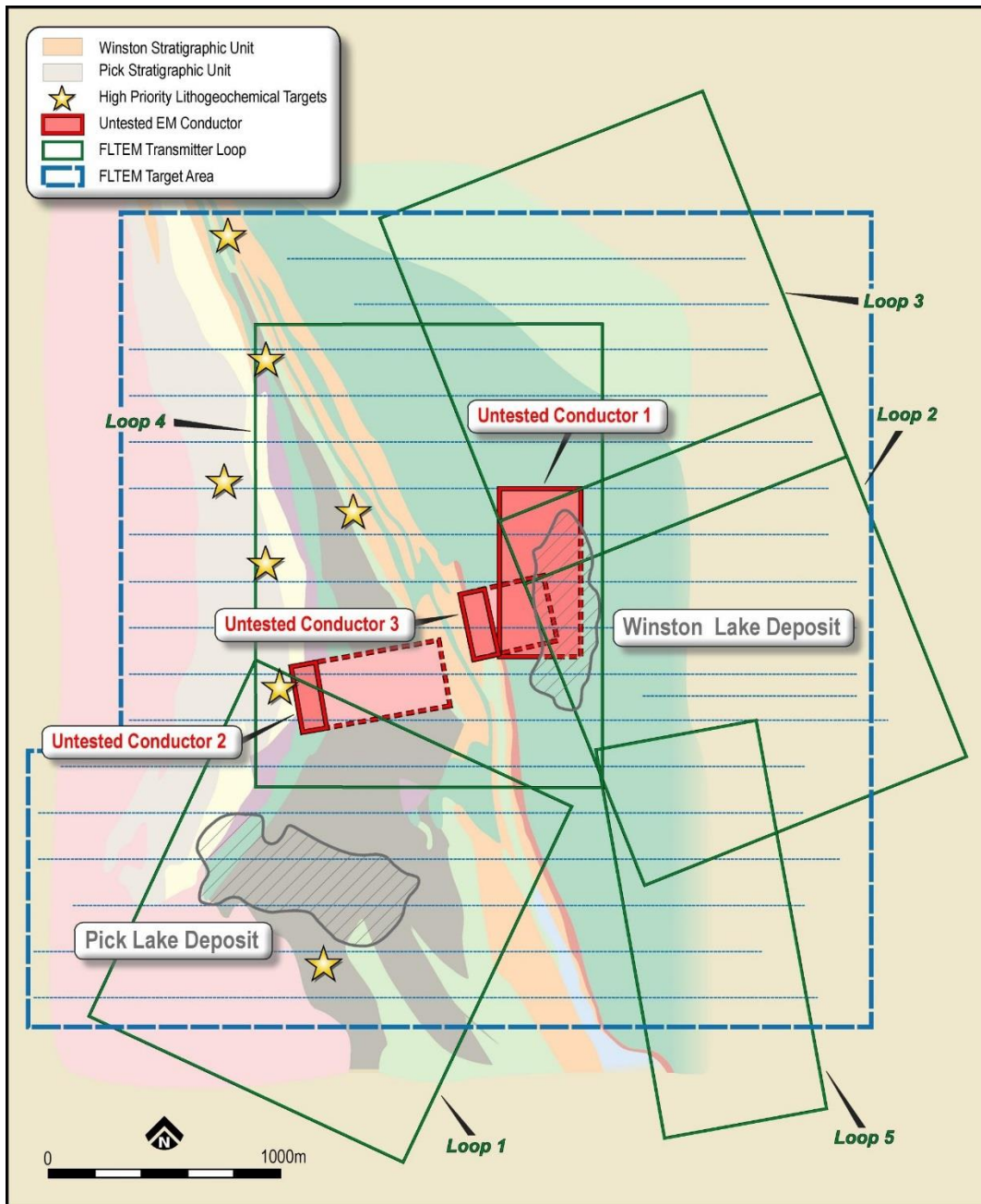


Following the drilling program, a Down Hole Transient Electromagnetics (DHTEM) program was completed at Pick Lake. As Pick Lake is a known deposit, this was a “test case” to confirm if EM could successfully detect and define potential mineralisation. The results were positive, as Pick Lake was clearly identified, thereby increasing the Company’s confidence that electromagnetics is the correct technique for identifying new anomalies across the brownfields target area at Superior Lake.

Phase 3 – Fixed Loop Electromagnetics geophysics program

Following the success of the DHTEM program, a high-powered Fixed Loop Transient Electromagnetics (FLTEM) survey was undertaken across the brownfields exploration area. This program focused on the high priority targets identified through Phase 1 of the 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, with the Pick Lake deposit 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.

Bankable Feasibility Study

A BFS completed during the year confirmed Superior Lake as a high-margin project, underpinned by a maiden Ore Reserve (see Annual Statement of Ore Reserves and Mineral Resources below), with 93% of feed to the processing plant derived from the Ore Reserve. Highlights of the BFS are shown in Table 2 below.

Table 2. Key results of the BFS

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

Further information on the BFS is available in the announcement of 28 August 2019. Superior Lake confirms that all material assumptions underpinning the production target and forecast financial information included in that announcement continue to apply and have not materially changed. Further information on the Ore Reserve estimate (which underpins the BFS) is available in an announcement dated 28 August 2019. Superior Lake confirms that it is not aware of any new information or data that materially affects the information included in that announcement 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.

ANNUAL STATEMENT OF ORE RESERVES AND MINERAL RESOURCES

Superior Lake Zinc Project: Ore Reserve Estimate					
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
Superior Lake Zinc Project: Mineral Resource Estimate ¹					
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

¹Mineral Resources are inclusive of Ore Reserves. The Mineral Resource was estimated within constraining wireframe solids using a nominal 3% zinc cut-off grade. The resource is quoted from all classified blocks within these wireframe solids. Differences may occur due to rounding.

COMPETENT PERSONS' STATEMENTS

Mineral Resources

The information contained in this annual report that relates to exploration results and mineral resource estimates is based on, and fairly reflects, information compiled by Dr Marat Abzalov, an independent consultant for MASSA Geoservices. Dr Marat Abzalov is a Fellow of the Australian Institute of Mining and Metallurgy and was engaged as a consultant to Superior Lake Resources to complete the JORC (2012) resource. Dr Abzalov has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resourced and Ore Reserves' (JORC Code 2012). Dr Abzalov consents to the inclusion in this annual report of the matters based on his information in the form and context in which it appears. Dr Abzalov holds securities in Superior Lake Resources Limited.

Ore Reserves

The information in this annual report that relates to Ore Reserves is based on, and fairly reflects, information compiled by Mr Benjamin Wilson, a Competent Person, who is an employee of Orelogy Consulting Pty Ltd and a Member of the Australian Institute of Mining and Metallurgy. Mr Wilson has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the JORC Code 2012. Mr Wilson consents to the disclosure of information in this annual report in the form and context in which it appears.

ORE RESERVES AND MINERAL RESOURCES GOVERNANCE

Superior Lake reviews its Mineral Resource and Ore Reserve estimates on an annual basis. The Annual Statement of Mineral Resources and Ore Reserves (as shown above) is prepared in accordance with the JORC Code 2012 and the ASX Listing Rules.

Competent Persons named by the Company are members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and qualify as Competent Persons as defined under the JORC Code 2012.

The Company engages external consultants and Competent Persons to prepare and calculate estimates of its Mineral Resources and Ore Reserves. These estimates and underlying assumptions are reviewed by the Directors and management for reasonableness and accuracy. The results of the Mineral Resource and Ore Reserve estimates are then reported in accordance with the JORC Code 2012 and the ASX Listing Rules. Where material changes occur to a project during the period, including the project's size, title, exploration results or other technical information, previous resource estimates and market disclosures are reviewed for completeness. The Company reviews its Mineral Resources and Ore Reserves as at 31 December each year and where a material change has occurred in the assumptions or data used in previously reported Mineral Resources and Ore Reserves, a revised estimate will be prepared as part of the annual review process.

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

The following events occurred subsequent to 31 December 2019:

- The Company's shareholders voted in favour of acquiring an additional 17.5% of the share capital from the minority shareholders of the Company's subsidiary Ophiolite Holdings Pty Ltd via the issue of the Company's shares. As at 31 December the minority shareholders held 30% as disclosed in note 27.
- The Company has been monitoring the potential impact of COVID-19 on its operations. The Company has plans in place to minimise the impact and is dependent on the continued support of the government, shareholders and employees. Given the uncertainty over the situation, the Company is not in a position to determine the full impact that COVID-19 will have on its operations or quantify any financial impact.

No other matters or circumstance has arisen since 31 December 2019, 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 were 145,196,422 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 Share and Option Plan 2018	12/04/2018	12/04/2018	25,000,000	\$0.03	09/04/2021
Employees Share and Option Plan 2018	23/02/2018	12/04/2018	20,000,000	\$0.03	23/02/2022
BW Equities	30/08/2018	30/08/2018	10,000,000	\$0.06	30/08/2021
BW Equities	30/08/2018	30/08/2018	10,000,000	\$0.08	30/08/2021
Mr Keong Chan	06/03/2019	06/03/2019	20,000,000	\$0.06	15/03/2022
Employees Share and Option Plan 2019 STI ¹	15/07/2019	15/07/2020	15,801,782	Nil ¹	15/07/2022
Employees Share and Option Plan 2019 LTI ²	15/7/2019	15/07/2022	17,394,640	Nil ¹	15/07/2024

¹The STI options issued under the Employee Share Option Plan (**ESOP**) vest subject to performance against key measures set by the Board, for the performance period to 1 July 2020. The performance measures against which vesting of STI options is assessed relate to execution of project finance and offtake agreements, completion of a Bankable Feasibility Study attainment of key permits and approvals required for commencement of construction.

²The LTI options issued under the ESOP vest subject to performance against key measures set by the Board, for the performance period to 1 July 2022. The performance measures against which vesting of LTI options is assessed relate to a decision to mine having been made, material extension of the mine life and share price performance.

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 \$15,000 (December 2018: \$17,000), limit of indemnity is \$5,000,000 (December 2018: \$5,000,000). The Company has entered into a Deed of Indemnity, Insurance and Access with each Director, which in summary 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 2019 and the number of meetings attended by each Director (while they were a Director). During the financial year the following board meeting was held:

Board of Directors		
Directors	No of eligible meetings to attend	Number attended
Mr Keong Chan	5	5
Mr Grant Davey	5	4
Mr Peter Williams	5	4

There were 7 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 2019. 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 Keong Chan	Non-Executive Chairmen (Non-executive Director)
Mr Grant Davey	Executive Director
Mr Peter Williams	Non-Executive Director

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 (Resigned 9 February 2020)
Mr Stuart McKenzie	Company Secretary (Appointed 6 March 2019)

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.

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. 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.

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

Mr David Woodall is paid:

- A salary package of \$270,000 per annum, including superannuation guarantee of 9.5%;
- Received the 20,000,000 share options as set out below;
- Participates in the Company's STI and LTI program on the terms set out below; and
- His employment may be terminated at any time with 3 months' notice.

Remuneration policy and link to performance

The Group's approach to remuneration is designed to attract and retain key executive talent, recognise the individual contributions of the Group's people, and motivate them to achieve strong performance aligned to the business strategy, whilst discouraging excessive risk taking.

In summary, the Group's approach to remuneration is to:

- Provide remuneration that is competitive and consistent with market standards;
- Align remuneration with the Company's overall strategy and shareholder interests;
- Reward superior performance within an objective and measurable incentive framework;
- Ensure that executives understand the link between individual reward and Group and individual performance;
- Be at a level acceptable to shareholders; and
- Apply sufficiently flexible remuneration practices that enable the Company to respond to changing circumstances.

All Executive KMP remuneration is comprised of the following:

- Fixed (base remuneration):
 - Contractual salary; and
 - Legislated superannuation guarantee (9.5% of gross salary for 2019).

- At risk component:
 - Short-term incentive (STI) – described further in the table below; and
 - Long-term incentive (LTI) – described further in the table below.

Element	Purpose	Performance metrics	Potential value
Base (fixed) remuneration	Provide a market competitive salary, including superannuation.	Nil	Within industry averages for the position's required skill and experience. Third party advice is sought periodically to ensure these are at or close to market median.
STI	Equity based reward for 12-month performance.	Corporate and project development objectives. Company strategy is set at the Board level and is used to determine the KPIs. STI objectives are set out below in detail.	Up to 40% of base remuneration.
LTI	Alignment with growth in long-term shareholder value over a three-year period.	Achievement of key Company objectives, linked to long term performance such as project development, share price performance and extending the mine life.	Up to 55% of base remuneration.

Balancing short-term and long-term performance

The Company considers performance-based remuneration to be a critical component of the overall remuneration framework, by providing a remuneration structure that rewards employees for achieving goals that are aligned to the Group's strategy and objectives. Both STIs and LTIs are issued under the Employee Share and Options Plan (ESOP).

Short-term incentives

The STI scheme operates to link performance and reward with key measurable financial and non-financial performance indicators to provide employees with clear and understandable targets that are aligned with the Group's objectives.

STIs are in the form of zero exercise price options which vest on completion of the one-year period. The number of options that vest is determined by assessment of individual performance against stated objectives to determine the percentage of objectives that has been achieved. This percentage is then applied to the options granted in order to determine the number of options that vest. The employee then has two years in which to exercise the options for nil consideration. Each vested STI option represents a right to be issued one Superior share.

The STI performance objectives are communicated to KMPs at the beginning of the twelve-month performance period, with performance evaluations conducted following the end of the respective twelve-month performance period. Subsequent to year-end, the Board reviewed performance against the following KPI measures, all of which related to the financing and development of the Pick Lake and Winston Hill Zink Projects:

- Obtaining project financing;
- All permits, licenses and approval in place necessary to commence construction;
- Completion of a Bankable Feasibility Study in with the economics materially in line with the Restart Study; and
- Enter into binding offtakes.

Long-term incentives

The KMP remuneration structure also seeks to drive performance and align with shareholder interests through LTI equity-based remuneration. This involves the issue of zero exercise price options to KMP as LTIs. Subject to performance against agreed vesting criteria, LTIs vest three years from the grant date and expire five years from the grant date. Each vested LTI option represents a right to be issued one Superior share. KMPs are assessed against applicable KPIs on the third anniversary from the date of issue.

The vesting criteria for LTIs granted relating to KPIs for the 1 July 2019 – 30 June 2020 performance period were:

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- Project development;
- Share price performance; and
- Extension to the life of mine.

The following STI's and LTI's were issued to KMP during the period.

Key Management Personnel	Grant date	Number granted	Exercise price (\$)	Value per option (\$)	Value of options granted (\$)	Vesting date	Expiry date
Mr David Woodall	15/07/2019	6,171,429	Nil	0.0160	98,743	01/07/2020	01/07/2022
Mr David Woodall	15/07/2019	5,515,714	Nil	0.0160	88,251	01/07/2020	01/07/2024
Mr David Woodall	15/07/2019	2,970,000	Nil	0.0130	38,610	01/07/2020	01/07/2024
Mr Keong Chan	15/03/2019	20,000,000	0.06	0.0101	202,569	15/03/2019	15/03/2022

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	-1
Mr David Woodall	15/07/2019	6,171,429	98,743	01/07/2020	01/07/2022	-1
Mr David Woodall	15/07/2019	5,515,714	88,251	01/07/2020	01/07/2024	-1
Mr David Woodall	15/07/2019	2,970,000	38,610	01/07/2020	01/07/2024	-1
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	93
Mr Peter Williams	23/02/2018	6,666,667	269,443	23/02/2021	23/02/2022	62
Mr Keong Chan	06/03/2019	20,000,000	202,569	6/03/2019	6/03/2022	100

¹ Subsequent to year end Mr David Woodall terminated his employment with the Company. Under the Company's Employee Share Plan Mr Woodall ceased to be an eligible participant after termination of employment and these options have therefore lapsed.

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

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 2019.

Financial year ended 31 December 2019

Name	Short-term employee benefits		Post-employment benefits	Share-based payment options	Total	% consisting of options
	Cash salary and fees	Other services	Superannuation			
	\$	\$	\$	\$	\$	%
Directors						
Mr Grant Davey	120,000	151,954 ¹	-	-	271,954	-
Mr Keong Chan	79,500	-	-	202,569	282,069	72
Mr Peter Williams	35,000	-	-	264,247	299,247	88
Mr David Woodall	249,233	-	20,593	-	269,826	-
TOTAL	483,733	151,954	20,593	466,816	1,123,095	42%

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¹ 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, general office costs, bookkeeping services, short term working capital and technical exploration and geological staff to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis. As at 31 December 2019 the Company an amount outstanding in trade creditors of \$97,652 for services rendered under this arrangement to Matador Capital.

Financial year ended 31 December 2018

Name	Short-term employee benefits		Post-employment benefits	Share-based payment options	Total	% consisting of options
	Cash salary and fees	Other services	Superannuation			
	\$	\$	\$	\$	\$	%
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.

Key management personnel equity holdings

(i) Fully paid ordinary shares

31 December 2019	Balance at start of period or appointment	Granted as compensation	Net other changes	Balance at end of period or resignation
	No	No	No	No
Directors				
Mr Grant Davey	65,016,330	-	13,904,269	78,920,599
Mr Keong Chan	-	-	-	-
Mr Peter Williams	-	-	-	-
Mr David Woodall	540,000	-	476,073	1,016,073

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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

(ii) Resigned on 14 September 2018, includes 63,151,291 shares held by Shandong Mining Industry Co Ltd (a

(iii) Resigned on 27 February 2018.

(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.

31 December 2019	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Mr Grant Davey	-	-	-	-	-
Mr Keong Chan	-	20,000,000	-	-	20,000,000
Mr Peter Williams	20,000,000	-	-	-	20,000,000
Mr David Woodall	20,000,000	14,657,143	-	-	34,657,143
	40,000,000	34,657,143	-	-	74,657,143

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

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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 2019.

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
	\$	\$	\$	\$	\$
Revenue	21,664	2,683	30	129	12,188
Net loss before tax	(7,017,034)	(16,244,767)	(374,785)	(157,162)	(400,150)
Net loss after tax	(7,017,034)	(16,244,767)	(374,785)	(157,162)	(400,150)
Share price at beginning of period/year	\$0.030	\$0.043	\$0.045	\$0.22	\$0.22
Share price at end of period/year	\$0.011	\$0.030	\$0.043	\$0.045	\$0.22
Dividends	-	-	-	-	-
Basic and diluted earnings per share (cents per share)	(0.007)	(0.18)	(0.18)	(0.17)	(0.44)

Other transactions with Key Management Personnel and their related parties

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 27. 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 has committed to acquire 11,428,571 shares at an issue price of \$0.0175 each as part of a placement undertaken by the Company in July 2019. The \$200,000 received from Mr Davey for these shares is recognised at 31 December 2019 as a current liability in the financial report. The issue of shares is subject to shareholder approval which had not yet received as at the date of this report.

End of remuneration report.

Signed in accordance with a resolution of the Directors



Mr Keong Chan
Non-Executive Chairman
31 March 2020

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

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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 audit of the financial statements of Superior Lake Resources Limited for the financial year ended 31 December 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 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 31st day of March 2020

Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 31 DECEMBER 2019

	Notes	31-Dec 2019 \$	31-Dec 2018 \$
Revenue	5	23,984	24,333
Depreciation expense	12	(2,001)	(2,347)
Exploration and evaluation expenses		(4,668,392)	(1,606,586)
Corporate transaction cost	26	-	(12,137,021)
Accounting, audit and taxation fees		(90,236)	(65,448)
Occupancy expenses		(103,738)	(85,042)
Administrative expenses		(618,316)	(600,446)
Employee benefit expenses and consultancy fees	6(a)	(765,045)	(561,411)
Share based payments	15(a)	(507,686)	(1,201,528)
Business development costs		(232,763)	-
Other expenses	6(b)	(52,841)	(9,271)
LOSS BEFORE INCOME TAX		(7,017,034)	(16,244,767)
Income tax expense	8	-	-
LOSS FOR THE YEAR/PERIOD		(7,017,034)	(16,244,767)
LOSS FOR THE YEAR/PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF SUPERIOR LAKE RESOURCES LIMITED		(7,017,034)	(16,244,767)
OTHER COMPREHENSIVE INCOME/(LOSS) NET OF TAX			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(489)	-
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of financial assets	10	41,500	(124,500)
Other Comprehensive (loss)/income for the year		41,011	(124,500)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6,976,023)	(16,369,267)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF SUPERIOR LAKE RESOURCES LIMITED		(6,976,023)	(16,369,267)
Basic and diluted loss per share (cents per share)	16	(0.72)	(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 2019

	Notes	31-Dec 2019 \$	31-Dec 2018 \$
CURRENT ASSETS			
Cash and cash equivalents	7	761,513	4,229,052
Trade and other receivables	9	183,730	60,026
Prepayments		22,394	79,562
TOTAL CURRENT ASSETS		967,637	4,368,640
NON-CURRENT ASSETS			
Other financial assets	10	191,000	144,500
Exploration & evaluation assets	11	1,312,610	954,657
Property, plant and equipment	12	7,053	5,576
TOTAL NON-CURRENT ASSETS		1,510,663	1,104,733
TOTAL ASSETS		2,478,300	5,473,373
CURRENT LIABILITIES			
Trade and other payables	13	601,086	903,167
Funds received for shares to be issued	14	200,000	300,000
Provision for annual leave		22,356	15,598
TOTAL CURRENT LIABILITIES		823,442	1,218,765
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		823,442	1,218,765
NET ASSETS		1,654,858	4,254,608
EQUITY			
Contributed equity	14	22,871,434	19,002,847
Reserves	15	2,045,225	1,496,528
Accumulated losses	15(d)	(23,261,801)	(16,244,767)
TOTAL EQUITY		1,654,858	4,254,608

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 2019	Contributed Equity	Accumulated Losses	Share Based Payments Reserve	Foreign currency translation reserve	Investment Revaluation Reserve	Total
	\$	\$	\$	\$	\$	\$
Opening Balance	19,002,847	(16,244,767)	1,621,028	-	(124,500)	4,254,608
Loss for the period	-	(7,017,034)	-	-	-	(7,017,034)
Foreign exchange translation differences	-	-	-	(489)	-	(489)
Changes in fair value of financial assets	-	-	-	-	41,500	41,500
Total comprehensive (loss)/income for the year	-	(7,017,034)	-	(489)	41,500	(6,976,023)
Transactions with owners in their capacity as owners						
Issue of shares	4,098,023	-	-	-	-	4,098,023
Less: Share issue costs	(229,436)	-	-	-	-	(229,436)
Share based payments	-	-	507,686	-	-	507,686
AT 31 DECEMBER 2019	22,871,434	(23,261,801)	2,128,714	(489)	(83,000)	1,654,858

YEAR ENDED 31 DECEMBER 2018	Contributed Equity	Accumulate d 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

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 2019

	Notes	Year ended 31-Dec 2019 \$	Year ended 31-Dec 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Operating activities		-	-
Payments to suppliers and employees (inclusive of GST)		(1,595,313)	(1,250,851)
Interest received		23,984	19,355
Interest paid		(2,320)	(1,283)
Payments for exploration activities		(5,301,046)	(1,001,937)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	7	(6,874,695)	(2,234,716)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired through business combination		-	96,388
Payment for security deposit		-	(20,000)
Purchase of property, plant and equipment		(3,478)	(6,875)
Payments for exploration: acquisition costs		(357,953)	(817,054)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(361,431)	(747,541)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,768,587	7,200,000
Payment received for shares issued after year end		-	300,000
Capital raising costs		-	(288,692)
NET CASH INFLOW FROM FINANCING ACTIVITIES		3,768,587	7,211,308
NET INCREASE IN CASH AND CASH EQUIVALENTS		(3,467,539)	4,229,051
Cash and cash equivalents at the beginning of the year		4,229,052	1
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	761,513	4,229,052

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 2019 and were authorised for issue in accordance with a resolution of the Directors on 31 March 2020.

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 applied 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 Group incurred a net loss for the year ended 31 December 2019 of \$7,017,034 (2018: \$16,244,767) during the year ended 31 December 2019, net cash outflows from operational and investment activities of \$7,236,126 (2018: \$2,982,257), and a net working capital surplus of \$144,195 (2018: \$3,149,875) at that date.

Based on the Group’s cash flow forecast the Group will require additional funding in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration and project development activities.

As a result of the above, there is a material uncertainty that may cast significant doubt on the entity’s ability to continue as a going concern and, therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are satisfied, however that at the date of signing of the 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 defer the timing of any future capital raising; and
- The directors believe that future funding will be available to meet the Group’s objectives and debts as and when they fall due, including through engaging with parties interested in financing arrangements and/or raising additional capital through equity placements to existing or new investors. The Group has a demonstrated history of success in this regard.

The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

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.

Notes to the 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 financial year.

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

AASB 16 Leases – (Effective date 1 July 2019)

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Management has considered significant contracts, such as those for drilling, and believes the Company does not hold any contracts that constitute leases under the standard. Therefore, the implementation of this standard has had no impact.

New Accounting Standards for Application in Future Periods

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

(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.

Notes to the Consolidated Financial Statements (Cont'd)

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 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 instruments 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.

Notes to the Consolidated Financial Statements (Cont'd)

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.

(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.

Notes to the Consolidated Financial Statements (Cont'd)

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.

(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.

Notes to the Consolidated Financial Statements (Cont'd)

(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.

Notes to the Consolidated Financial Statements (Cont'd)

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.

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.

	31 December 2019	31 December 2018
	\$	\$
<hr/>		
5. REVENUE		
Interest Income	23,984	24,333
	23,984	24,333
<hr/>		
6. OTHER INCOME AND EXPENSES		
(a) Employee benefit expenses and consultancy fees includes the following specific expenses:		
Director fees	(235,181)	(216,000)
Salary and wages	(287,795)	(260,455)
Other	(242,069)	(84,956)
	(765,045)	(561,411)
(b) Other expenses include the following specific expenses:		
Foreign exchange loss	(8,888)	(7,988)
Doubtful debts expense	(41,634)	-
Interest expense	-	(1,283)
Other	(2,319)	-
	(52,841)	(9,271)
<hr/>		

Notes to the Consolidated Financial Statements (Cont'd)

7. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	761,513	4,229,052
<hr/>		
Reconciliation of loss for the year to net cash flows used in operating activities:		
Loss for the year	(7,017,034)	(16,244,767)
Non-cash expenses:		
Depreciation	2,001	2,437
Corporate transaction cost	-	12,137,021
Share based payments	507,687	1,201,528
Net exchange differences	(489)	-
Changes in assets and liabilities:		
(Increase)/Decrease in:		
Trade and other receivables	(123,704)	(54,394)
Prepayments	57,168	(79,562)
Increase/(Decrease) in:		
Trade and other payables	(307,082)	787,513
Provision for annual leave	6,758	15,598
Net cash flows used in operating activities	<u>(6,874,695)</u>	<u>(2,234,716)</u>

Notes to the Consolidated Financial Statements (Cont'd)

	31 December 2019	31 December 2018
	\$	\$
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	(7,017,034)	(16,244,767)
Prima facie income tax (benefit) @ 27.5%	(1,929,684)	(4,467,311)
Non-deductible expenses	675,445	3,329,121
Current year deferred tax assets not brought to account	1,254,239	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	4,674,375	2,782,894
- Temporary differences	1,254,239	1,138,190
Net unrecognised deferred tax asset	5,928,614	3,921,084
The Group had \$16,755,145 of tax losses to 31 December 2019 (31 December 2018: \$9,877,032). 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.		
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	183,730	55,013
Other receivables	-	5,013
	183,730	60,026

Notes to the Consolidated Financial Statements (Cont'd)

	31 December 2019 \$	31 December 2018 \$
10. OTHER FINANCIAL ASSETS		
Security bond	25,000	20,000
Financial assets at fair value through other comprehensive income	166,000	124,500
	<u>191,000</u>	<u>144,500</u>

Financial assets at fair value through other comprehensive income

Listed securities – Shares

Opening balance	124,500	249,000
Fair value movement*	41,500	(124,500)
Closing Balance	<u>166,000</u>	<u>124,500</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 2019. Further information is available at note 19 (d).

11. EXPLORATION & EVALUATION ASSETS

Opening Balance	954,657	-
Additions		
- Pick Lake	387,953	817,054
- Winston Lake	-	107,603
- Mt Morley	(30,000)	30,000
Closing Balance	<u>1,312,610</u>	<u>954,657</u>

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

12. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment – at cost	176,643	173,164
Accumulated depreciation	(169,590)	(167,588)
Total written down amount	<u>7,053</u>	<u>5,576</u>

Reconciliation

Opening written down value	5,576	1,048
Acquisitions	3,478	6,875
Depreciation charge for the period	(2,001)	(2,347)
Closing written down value	<u>7,053</u>	<u>5,576</u>

Notes to the Consolidated Financial Statements (Cont'd)

	31 December 2019	31 December 2018
	\$	\$
13. TRADE AND OTHER PAYABLES		
Trade and other payables	340,628	617,174
Accruals	260,458	285,993
	601,086	903,167

Trade and other payables include an amount of \$97,652 payable to Matador Capital Pty Ltd for services rendered under a shared office arrangement. Director Mr Grant Davey is a shareholder and Director of Matador Capital Pty Ltd.

14. ISSUED CAPITAL

(a) Share capital

1,081,815,614 (2018: 856,881,064) ordinary shares fully paid	22,871,434	19,002,847
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(b) Movement in ordinary shares on issue

Date	Details	No. of shares	\$
1 January 2019	Opening Balance	856,881,064	19,002,847
15 March 2019	Issue of shares to Grant Davey	8,571,428	300,000
2 July 2019	Placement of shares at \$0.0175	216,363,122	3,786,355
Share issue costs		-	(217,768)
31 December 2019	Closing Balance	1,081,815,614	22,871,434

(c) Funds received for shares to be issued

Director Mr Grant Davey has committed to acquire 11,428,571 shares at an issue price of \$0.0175 each as part of a placement undertaken by the Company in July 2019. The \$200,000 received from Mr Davey for these shares is recognised at 31 December 2019 as a current liability in the financial report. The issue of shares is subject to shareholder approval which had not yet received as at the date of this report.

(d) 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 2019 and 2018. The Group is not subject to any externally imposed capital requirements.

Notes to the Consolidated Financial Statements (Cont'd)

15. RESERVES AND ACCUMULATED LOSSES

	Note	31 December 2019 \$	31 December 2018 \$
Reserves			
Share based payments reserve	(a)	2,128,714	1,621,028
Investment revaluation reserve	(b)	(83,000)	(124,000)
Foreign currency translation reserve	(c)	(489)	-
Balance at the end of the year		<u>2,045,225</u>	<u>1,497,028</u>

(a) Share based payments reserve

Balance at the beginning of the year		1,621,028	-
Share based payments to Directors, executives and suppliers		507,687	1,201,528
Share based payments recognised as capital raising costs		-	419,500
Balance at the end of the year		<u>2,128,714</u>	<u>1,621,028</u>

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.

	Number of Options	\$
2019		
Balance at 1 January 2019	92,000,000	1,621,028
Options issued to Director K Chan ¹ (refer to note 22)	20,000,000	202,569
Options issued to Director Peter Williams in a prior period that vested 2019 ²	-	264,247
Employee and contractor STIs ¹ (refer to note 22)	15,801,782	27,304
Employee and contractor LTIs ¹ (refer to note 22)	17,394,640	13,566
Balance at 31 December 2019	<u>145,196,422</u>	<u>2,128,714</u>

¹ All options expenses are recognised over the expected vesting period with reference to the probability that any vesting criteria hurdles will be successfully completed.

² Granted in the 2018 financial year and are expensed over the vesting period.

	31 December 2019 \$	31 December 2018 \$
(b) Investment revaluation reserve		
Balance at the beginning of the year	(124,500)	-
Change in investment revaluation reserve*	41,500	(124,500)
Balance at the end of the year	<u>(83,000)</u>	<u>(124,500)</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 2019. Further information is available at note 19 (d).

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)

	31 December 2019 \$	31 December 2018 \$
(c) Foreign currency revaluation reserve		
Balance at the beginning of the year	-	-
Change in translation reserve	(489)	-
Balance at the end of the year	<u>(489)</u>	<u>-</u>

The foreign currency revaluations reserve represents the cumulative gain and losses arising on the revaluation of subsidiaries with functional currencies other than Australian Dollars that have been recognised in other comprehensive income.

(d) Accumulated losses

Balance at the beginning of the year	(16,244,767)	-
Net loss for the year	(7,017,034)	(16,244,767)
Balance at the end of the year	<u>(23,261,801)</u>	<u>(16,244,767)</u>

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	<u>(7,017,034)</u>	<u>(16,244,767)</u>
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	Number of shares 31 December 2019	Number of shares 31 December 2018
(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	<u>971,599,896</u>	<u>915,683,740</u>
(c) Basic and Diluted loss per share – cents per share	<u>(0.72)</u>	<u>(1.77)</u>

At the end of the 2019 financial year, the Group had 145,196,422 unissued shares under option (2018: 92,000,000). The Group does not report diluted earnings per share on annual losses generated by the Group. During the 2019 financial year the Group's unissued shares under option were anti-dilutive.

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

As the Company has made a loss for the year ended 31 December 2019, all options on issue These options and unissued shares could potentially dilute basic loss per share in the future.

Notes to the Consolidated Financial Statements (Cont'd)

17. DIVIDENDS

No dividends were paid during the financial year (2018: Nil). No recommendation for payment of dividends has been made. (2018: Nil)

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:

	31 December 2019 \$	31 December 2018 \$
0 to 1 year	1,049,495	609,229
1 to 5 years	54,715	519,642
5+ years	26,306	-
	<u>1,130,516</u>	<u>1,128,871</u>

(b) Executive services commitment

0 to 1 year	28,849	67,500
1 to 5 years	-	-
5+ years	-	-
	<u>28,849</u>	<u>67,500</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:

	31 December 2019	31 December 2018
	\$	\$
Financial assets		
Cash and cash equivalents	761,513	4,229,052
Trade and other receivables	183,730	60,026
Other financial assets	191,000	144,500
	<u>1,136,243</u>	<u>4,433,578</u>
Financial liabilities		
Trade and other payables	601,086	903,167
Funds received for shares to be issued	200,000	300,000
	<u>801,086</u>	<u>1,203,167</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.

2019	Floating	Fixed Interest Rate		Non-Interest	Total	Weighted Effective Interest Rate
	Interest Rate	1 Year or Less	1 to 5 Years	Bearing		
	\$	\$	\$	\$	\$	
Financial Assets						
Cash	761,513	-	-	-	761,513	0.02%
Trade and other receivables	-	-	-	183,730	183,730	NA
Other financial assets	-	-	-	191,000	191,000	NA
Total Financial Assets	761,513	-	-	374,730	1,136,243	-
Financial Liabilities						
Trade and other payables	-	-	-	601,086	601,086	NA
Funds received for shares to be issued	-	-	-	200,000	200,000	NA
Total Financial Liabilities	-	-	-	801,086	801,086	NA

Notes to the Consolidated Financial Statements (Cont'd)

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	729,051	3,500,000	-	204,527	4,433,578	1.77%
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	-	-	-	1,203,167	1,203,167	NA

(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:

	2019	2020
Judgements of reasonably possible:		
Equity – higher / (lower)		
10.0%	19,100	14,500
-10.0%	(19,100)	(14,500)

(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 2019, 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 2019				31 December 2018			
	≤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	601,086	-	-	601,086	903,167	-	-	903,167
Funds received for shares to be issued	200,000	-	-	200,000	300,000	-	-	300,000
Total Financial Liabilities	801,086	-	-	801,086	1,203,167	-	-	1,203,167

Notes to the Consolidated Financial Statements (Cont'd)

(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 Keong Chan	Non-Executive Chairman (former Company Secretary)
Mr Peter Williams	Non-Executive Director (Appointed 27 February 2018)

(ii) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year:

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

(b) Key management personnel compensation

	31 December 2019	31 December 2018
	\$	\$
Short-term benefits	483,733	453,820
Post-employment benefits	20,593	16,202
Share-based payments	466,816	676,762
	<u>971,142</u>	<u>1,146,784</u>

(c) Equity interests in related parties

Equity interests in associates

Details of key management personnel equity interests are provided in the Remuneration Report of the Directors' Report.

Notes to the Consolidated Financial Statements (Cont'd)

(d) Transactions with key management personnel

Key management personnel compensation

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, general office costs, bookkeeping services, short term working capital and technical exploration and geological staff to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis. As at 31 December 2019 the Company an amount outstanding in trade creditors of \$97,652 for services rendered under this arrangement to Matador Capital.

Loans to key management personnel

There were no loans to key management personnel during the current or prior period.

21. RELATED PARTY TRANSACTIONS

(a) Key management personnel equity holdings

(i) Fully paid ordinary shares

	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 2019				
<i>Directors</i>				
Mr Grant Davey	65,016,330	-	13,904,269	78,920,599
Mr Keong Chan	-	-	-	-
Mr Peter Williams	-	-	-	-
Mr David Woodall	540,000	-	476,073	1,016,073

	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 2018				
<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 Ishine Mining Industry Co Ltd (a company in which Mr Li is a shareholder).
- ii. Resigned on 27 February 2018.

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.

Notes to the Consolidated Financial Statements (Cont'd)

2019 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 Keong Chan	-	20,000,000	-	-	20,000,000
Mr Peter Williams	20,000,000	-	-	-	20,000,000
Mr David Woodall	20,000,000	14,657,143	-	-	34,657,143
	<u>40,000,000</u>	<u>34,657,143</u>	-	-	<u>74,657,143</u>

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
	<u>-</u>	<u>40,000,000</u>	-	-	<u>40,000,000</u>

(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 27. 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 was 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.

Mr Grant Davey has committed to acquire 11,428,571 shares at an issue price of \$0.0175 each as part of a placement undertaken by the Company in July 2019. The \$200,000 received from Mr Davey for these shares is recognised at 31 December 2019 as a current liability in the financial report. The issue of shares is subject to shareholder approval which had not yet received as at the date of this report.

Mr Grant Davey 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, general office costs, bookkeeping services, short term working capital and technical exploration and geological staff to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis. As at 31 December 2019 the Company an amount outstanding in trade creditors of \$97,652 for services rendered under this arrangement to Matador Capital.

Notes to the Consolidated Financial Statements (Cont'd)

22. SHARE BASED PAYMENT PLANS

During the year ended 31 December 2019, the following options, were issued to Directors and Officers of the Company as short-term and long-term incentives under the Company's Employee Share and Options Plan (ESOP).

Option issue	Grant date	Vesting date	No. of options	Total expense recognized
Keong Chan	15/03/2019	15/03/2019	20,000,000	202,569
David Woodall STI ¹	15/07/2019	01/07/2020	6,171,429	-
Davis Woodall LTI ¹	15/07/2019	01/07/2020	8,485,714	-

¹ Subsequent to year end Mr. David Woodall terminated his employment with the Company. Under the Employee Share and Option Plan Mr. Woodall ceased to be an eligible participant after termination of employment and these options have therefore lapsed.

Options were valued using the Black-Scholes valuation model with the following inputs:

Input	Keong Chan Options	ESOP STI	ESOP LTI	ESOP LTI with market-based conditions
Measurement date share price	\$0.027	\$0.016	\$0.016	\$0.016
Exercise price	\$0.06	Nil	Nil	Nil
Equity instruments granted	20,000,000	15,801,782	11,306,516	6,088,124
Expected volatility	95%	152%	100%	172%
Grant date	15/03/2019	15/07/2019	15/07/2019	15/07/2019
Vesting date	15/03/2019	01/07/2020	01/07/2022	01/07/2022
Option life	3 years	3 years	5 years	5 years
Risk-free interest rate	1.49%	1.00%	1.08%	1.09%
Dividend yield	n/a	n/a	n/a	n/a
Value	\$202,569	\$252,829	\$180,904	\$180,904
Amount recognised as an expense	\$202,569	\$27,304	\$7,236	\$6,331

Set out below is the summary of options granted as share based payments: There were 92,000,000 options on issue in 2018. The weighted average remaining term of outstanding options at 31 December 2019 was 2.1 years (2018: 2.55 years)

The total share-based payment expense for the period was \$507,686 which relates to the above options granted during the period as well as the vesting of Options granted to Peter Williams during the year ended 31 December 2018. Refer to note 15(a).

Vesting conditions of the STI and LTI

Short-term incentives

Vesting of the STI's is dependent on completion of targets set and assessed by the Board. These vesting conditions include: obtaining project financing; all permits, licenses and approval in place necessary to commence construction; completion of a Bankable Feasibility Study in with the economics materially in line with the Restart Study; and enter into binding offtakes.

Long-term incentives

Vesting of the LTI's is dependent on completion of targets set and assessed by the Board. These vesting conditions include: project development; share price performance; and extension to the life of mine.

Notes to the Consolidated Financial Statements (Cont'd)

Options - 2019

Grant Date	Expiry Date	Exercise Price (\$)	Balance 01/01/19	Granted during the year	Exercised during the year	Expired or Change due to Resigning	Balance 31/12/19	Number vested and exercisable
23/02/2018	23/02/2022	0.030	6,666,666	-	-	-	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
15/03/2019	15/03/2022	0.060	-	20,000,000	-	-	20,000,000	20,000,000
15/07/2019	01/07/2022	Nil	-	15,801,782	-	-	15,801,782	-
15/07/2019	01/07/2024	Nil	-	17,394,640	-	-	17,394,640	-
Weighted average exercise price			\$0.048	\$0.023	-	-	\$0.038	\$0.052

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
Weighted average exercise price			-	\$0.048	-	-	\$0.048	\$0.052

31 December 2019 31 December 2018

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)

30,000	37,031
30,000	37,031

24. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 31 December 2019 (2018: None).

Notes to the Consolidated Financial Statements (Cont'd)

25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The following events occurred subsequent to 31 December 2019:

- The Company's shareholders voted in favour of acquiring an additional 17.5% of the share capital from the minority shareholders of the Company's subsidiary Ophiolite Holdings Pty Ltd via the issue of the Company's shares. As at 31 December the minority shareholders held 30% as disclosed in note 27.
- The Company has been monitoring the potential impact of COVID-19 on its operations. The Company has plans in place to minimise the impact and is dependent on the continued support of the government, shareholders and employees. Given the uncertainty over the situation, the Company is not in a position to determine the full impact that COVID-19 will have on its operations or quantify any financial impact.

26. PARENT ENTITY DISCLOSURES

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

	2019	2018
	\$	\$
Statement of Financial Position		
Assets		
Current assets	967,884	4,368,640
Non-current assets	1,510,663	1,104,733
Total assets	2,478,547	5,473,373
Liabilities		
Current liabilities	823,442	1,218,765
Non-current liabilities	-	-
Total liabilities	823,442	1,218,765
Equity		
Contributed equity	22,871,434	19,002,847
Reserves	2,045,714	1,496,528
Accumulated losses	23,262,043	(16,244,767)
Total equity	1,708,245	4,254,608
Statement of Comprehensive income		
Loss for the year	(7,017,276)	(16,244,767)
Other comprehensive income	83,000	(124,500)
Total comprehensive loss for the year	(6,934,276)	(16,369,267)

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.

Notes to the Consolidated Financial Statements (Cont'd)

27. DETAILS OF CONTROLLED ENTITIES

Information about Principal Subsidiaries

	Country of Incorporation	Percentage Owned %	
		2019	2018
Accounting Parent Entity:			
Superior Mining Pty Ltd*	Australia		
Subsidiary of Superior Mining Pty Ltd:			
Ophiolite Holdings Pty Ltd**	Australia	70%	70%
Legal Parent entity			
Superior Lake Resources Limited***	Australia	100%	100%

*Superior Mining Pty Ltd (Superior Mining) was incorporated on 24 November 2017 with 263,636,362 shares. As disclosed in note 2 (t), 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.

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

***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.

There have been no other movements in percentage ownership or costs of controlled entities during 2019.

Directors' Declaration

In the Directors' opinion:

- (a) the attached financial statements and notes set out on page 21 to 48 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 2019 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

31 March 2020

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 2019, 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 2019 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.

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Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report which indicates that the Consolidated Entity incurred a net loss of \$7,017,034 during the year ended 31 December 2019. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

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>Exploration and Evaluation Assets – \$1,312,610 (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

	<ul style="list-style-type: none"> ➤ 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. <p>We assessed the appropriateness of the related disclosures in Note 11 to the financial statements.</p>
<p>Share based payments - \$507,686 (Refer to Note 15 and 22)</p> <p>As disclosed in Note 15 and 22 in the financial statements, during the year ended 31 December 2019, the Group incurred share based payments totaling \$507,687.</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 recognised during the period against the vesting conditions of the options; and ➤ 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 2019, 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.

Independent Auditor's Report

To the Members of Superior Lake Resources Limited (Continued)



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

Responsibilities of the Directors for the Financial Report

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

Independent Auditor's Report

To the Members of Superior Lake Resources Limited (Continued)



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.

- 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 2019. 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 2019, complies with section 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Partner

Dated at Perth this 31st day of March 2020

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 2020.

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:

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	20	3,805	0.00%
above 1,000 up to and including 5,000	8	27,594	0.00%
above 5,000 up to and including 10,000	101	999,968	0.09%
above 10,000 up to and including 100,000	209	10,965,574	1.01%
above 100,000	423	1,069,818,673	98.89%
Totals	761	1,081,815,614	100.00%

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	6.51%
2	KITARA INVESTMENTS PTY LTD	63,703,747	5.89%
3	SHANDONG ISHINE MINING INDUSTRY CO	63,151,291	5.84%
4	ILWELLA PTY LTD	63,124,600	5.84%
5	MS SONJA LOUISE NEWMAN HEATH	42,338,495	3.91%
6	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	30,574,706	2.83%
7	DAVEY HOLDINGS (AUS) PTY LTD <BURNAFORD A/C>	24,016,854	2.22%
8	ILWELLA <ILWELLA A/C>	21,000,000	1.94%
9	KGBR FUTURE FUND PTY LTD	20,736,266	1.92%
10	KINGSLANE PTY LTD <CRANSTON SUPER PENSION A/C>	19,431,020	1.80%
11	D GRAY & CO PTY LTD	18,181,814	1.68%
12	KITARA INVESTMENTS PTY LTD <KUMOVA FAMILY A/C>	17,682,361	1.63%
13	DAVEY MANAGEMENT (AUS) PTY LTD <DAVEY FAMILY SUPER FUND A/C>	16,577,046	1.53%
14	MR SAMUEL LEWIS MCCARDEL	16,477,608	1.52%
15	KINGSLANE PTY LTD <CRANSTON SUPER PENSION A/C>	15,864,179	1.47%
16	MAXIMUS FLANNERY PTY LTD <FINCO INVESTMENT A/C>	15,435,065	1.43%
17	TAURUS CORPORATE SERVICES PTY LTD	15,381,120	1.42%
18	NATIONAL NOMINEES LIMITED	14,344,222	1.33%
19	MR GRANT LAWRENCE BURNAFORD DAVEY	14,340,111	1.33%
20	EVAN ALEXANDER GEORGE CRANSTON	14,340,111	1.33%
		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 2020)

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)	112,767,513
Ilwella Pty Ltd	84,124,600
Tolga Kumova (and related entities)	81,386,108
Mr Grant Davey (and related entities)	64,975,323
Shandong Ishine Mining Industry Co	63,151,291

ASX Additional Information

Unquoted securities (as at 26 March 2019)

Class	Number
UNLISTED OPTIONS @ \$0.03 EXPRING 23/2/22	20,000,000
UNLISTED OPTIONS @ \$0.03 EXPRING 9/4/21	25,000,000
UNLISTED OPTIONS @ \$0.06 EXPRING 9/4/21	27,000,000
UNLISTED OPTIONS @ \$0.06 EXPRING 30/4/21	10,000,000
UNLISTED OPTIONS @ \$0.08 EXPRING 30/4/21	10,000,000
UNLISTED OPTIONS @ \$0.06 EXP 15/03/2022	20,000,000
UNLISTED OPTIONS @ \$0.00 EXP 01/07/2022	15,801,782

Unquoted securities > 20% holders (as at 26 March 2020)

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 \$0.03 on or before 9 April 2021	MR MARAT ABZALOV	5,000,000
Unquoted options exercisable at \$0.03 on or before 9 April 2021	ODESSA RESOURCES PTY LTD	5,000,000
Unquoted options exercisable at \$0.03 on or before 9 April 2021	MS OONAGH JANE MALONE	5,000,000
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 9 April 2021	MS REBECCA MORGAN	7,000,000
Unquoted options exercisable at \$0.08 on or before 30 April 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
Unquoted options exercisable at \$0.06 on or before 1 July 2022	MR DAVID WOODALL	6,171,429
Unquoted options exercisable at \$0.06 on or before 1 July 2024	MR DAVID WOODALL	8,485,714

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
Ontario, Canada	4284635	70%	Granted

ASX Additional Information

Country	Tenement	Interest	Status
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
Ontario, Canada	4284621	70%	Granted

ASX Additional Information

Country	Tenement	Interest	Status
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