Superior Resources

# ANNUAL REPORT 2019

2019

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## Corporate Directory

### Directors

Peter Henry Hwang
Carlos Alberto Fernicola
Kenneth James Harvey

### Corporate Secretary

Carlos Alberto Fernicola

### Stock Exchange

ASX LIMITED
ASX Code: SPQ

### Company

SUPERIOR RESOURCES LIMITED
ABN 72 112 844 407

Registered Office
Unit 8, 61 Holdsworth Street
COORPAROO QLD 4151

Principal Office
Unit 8, 61 Holdsworth Street
COORPAROO QLD 4151

Telephone: 07 3847 2887
Email: manager@superiorresources.com.au

Internet Address
www.superiorresources.com.au

Postal Address
PO Box 189
COORPAROO QLD 4151

### Share Registry

LINK MARKET SERVICES LIMITED
Level 21, 10 Eagle Street
BRISBANE QLD 4000

Postal Address
Locked Bag A14
SYDNEY SOUTH NSW 1235

Telephone: 1300 554 474
Facsimile: 02 9287 0303
Email: registrars@linkmarketservices.com.au

### Auditor

PKF Hacketts Audit
Level 6, 10 Eagle Street
BRISBANE QLD 4000

Telephone: 07 3839 9733
Facsimile: 07 3832 1407

## Contents

# Chairman's Review 2019

Dear Fellow Shareholders,

On behalf of the Board of Directors, I take pleasure in presenting the Superior Resources Limited 2019 Annual Report.

The past 12 months has been an eventful year that has resulted in the formation of an earn-in and joint venture relationship with South32 Group Operations Pty Ltd on the Nicholson Project after a long period of negotiation.

The joint venture represents a significant milestone for the company as it validates the potential of the project to host a world-class base metals deposit and has enabled a substantial amount of exploration to be carried out. The Nicholson Project lies within an important part of the globally significant Carpentaria Zinc Province. The significance of the exploration investment that we have planned for the project cannot be underestimated. Superior and South32 have wasted no time in commencing an intense drilling program early in the second half year, which has been progressing towards the end of this year's field season.

Planning for follow-up and initial exploration programs have also continued in respect of the Company's large Bottletree copper Project and the recently granted Big Mag Project.

At Bottletree, we recognise the potential for the discovery of a major copper deposit to be made in the next diamond drilling program. Exploration drilling conducted during the second half of last year returned nearly 300 metres of copper mineralisation with an average grade of 0.22% copper and an 18.7m high grade zone averaging 1.12% copper. This significant interval of copper mineralisation coincides with a large IP chargeability anomaly that is at least one kilometre in length with increasing size at depth. We are very excited about the potential that Bottletree presents.

We are also pleased to have been granted a new tenement covering the 5km by 5km sized Big Mag magnetic feature, which is largely unexplored and shows potential for nickel-cobalt mineralisation. Preparations are underway to enable exploration work to commence as soon as possible.

Consistent with previous years, the Company has continued its strict controls on overhead expenses and cashflow management, which include the deferral of payment of fifty percent of all Directors' services fees.

I take this opportunity to sincerely thank the shareholders for their continued support and also the Company's staff and fellow Directors for their professionalism and dedication during the year.

**Carlos Fernicola**
Chairman

# Strategy

- TO DISCOVER:
    - a large Mount Isa Style lead-zinc-copper deposit
    - a large VMS / porphyry copper-gold deposit
- A PROJECT PORTFOLIO TO MAXIMISE VALUE GROWTH POTENTIAL:
    - Tier 1 exploration projects – Nicholson / Victor
        - Drill-ready targets in Carpentaria Zinc Province
        - Partner with "Majors"
    - Inlier of Macquarie Arc – Greenvale
        - World-class porphyry copper-gold region
        - Remnant of NSW Ordovician porphyry belt (Cadia, N Parkes)
        - Underexplored
        - More than 10 significant targets
        - SPQ holds most of the Greenvale Ordovician terrane
    - Battery Metals – Future Focused
        - Nickel – Cobalt
        - 3 high impact projects
        - Globally growing markets
- ENSURE EXPERIENCED, FOCUSSED BOARD AND MANAGEMENT
- TO DELIVER VALUE GROWTH TO SHAREHOLDERS

# Project Portfolio

As at October 2019, Superior maintained a portfolio of zinc-lead, copper, gold, nickel-cobalt and uranium projects (Figure 1).

The Company's current portfolio of projects is as follows:

- ***Nicholson Project***
  - 8+ Tier 1 potential EM targets — *Mount Isa Style (lead-zinc-silver)*
  - Walford Creek West — *Mount Isa Style (sulphide copper-lead-zinc-cobalt)*
  - Hedleys Uranium — *Uranium*
- ***Victor Project***
  - Victor Project — *Mount Isa Style (lead-zinc-silver)*
  - Kingfisher — *Copper-cobalt*
- ***Greenvale Project***
  - Bottletree — *Potential VMS / porphyry (copper-gold)*
  - Steam Engine Gold Deposit — *High-grade lode gold (gold)*
  - Galah Dam — *Potential porphyry / massive sulphide (copper-gold)*
  - Cockie Creek — *Potential porphyry (copper-gold)*
  - Wyandotte Copper — *High-grade copper*
  - Halls Reward — *Cyprus style VMS (high-grade copper)*
  - One Mile/One Mile Dam — *VMS / massive sulphide (copper-zinc-gold)*
  - Riesling — *Broken Hill Style (zinc-lead-copper)*
  - Lucky Creek — *Lateritic Nickel-Cobalt (nickel-cobalt)*
  - Big Mag — *Lateritic Nickel-Cobalt (nickel-cobalt)*

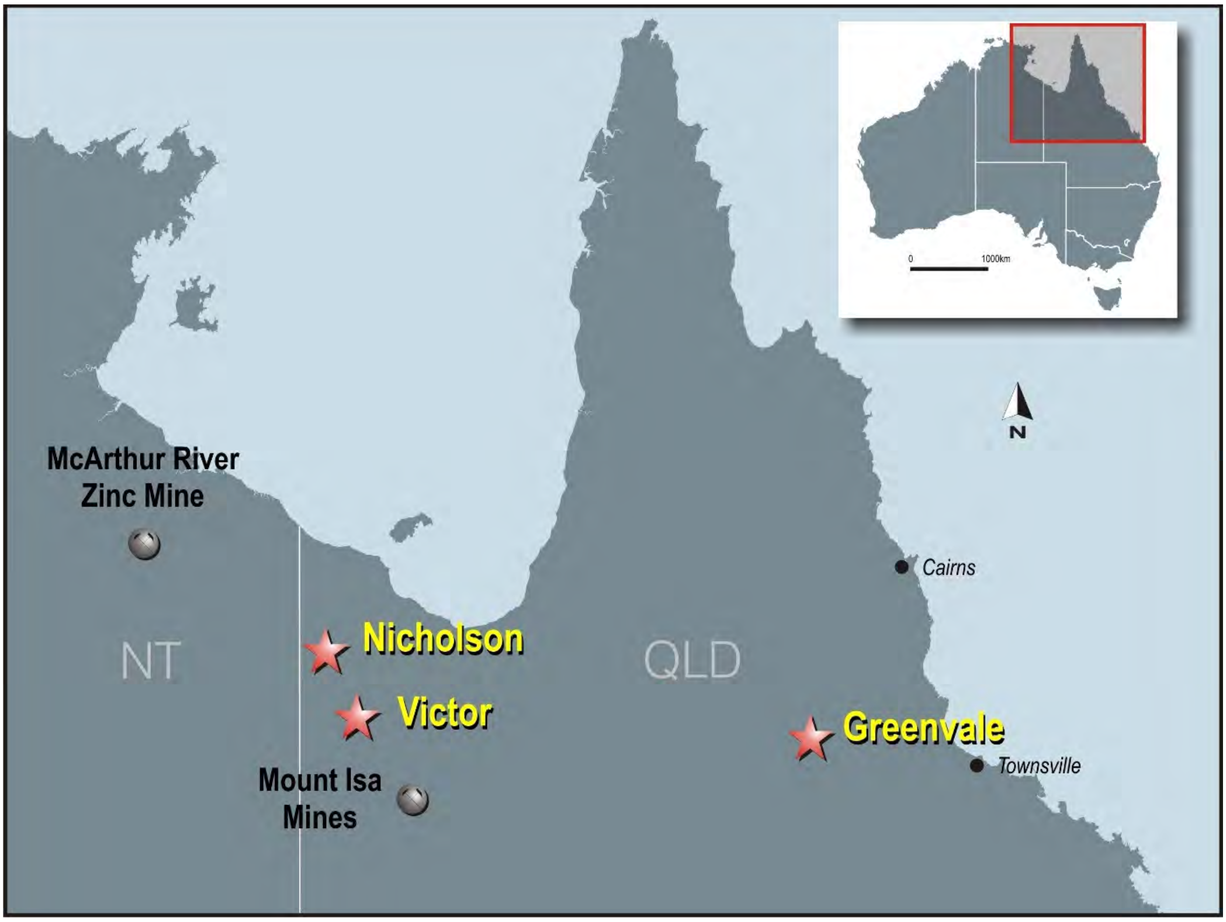


*Figure 1. Location of Superior's projects.*

# Nicholson Project

## Mount Isa Style Lead-Zinc-Silver / Copper / Cobalt / Uranium

"TIER 1" LEAD-ZINC PROJECT LOCATED WITHIN THE CARPENTARIA ZINC PROVINCE, NORTH WEST QUEENSLAND. AN INDUSTRY-LEADING OPPORTUNITY TO DISCOVER A WORLD-CLASS MOUNT ISA STYLE ZINC-LEAD-COPPER DEPOSIT. THE CARPENTARIA ZINC PROVINCE CONTAINS 20% OF THE WORLD'S ZINC RESOURCE INVENTORY.

The Nicholson Project, together with the Victor Project (refer to next section), presents "Tier 1" potential zinc-lead-silver exploration projects that provide the Company with industry-leading opportunities to discover a world-class Mount Isa Style Zinc-Lead-Copper deposit. The projects are located in the Carpentaria Zinc Province, which contains 20% of the world's zinc resource inventory (Figure 2).

In the region immediately surrounding Mount Isa, rocks prospective for Mount Isa Style deposits are exposed at or close to surface and as a consequence, have been intensely explored. In contrast, the Company's Victor Project, located about 150km northwest of Mount Isa, is in an equally prospective region that is relatively unexplored. In this region the prospective rock sequences are covered by varying depths of younger sediments. This is the most likely area within Queensland to make the next Mount Isa discovery.

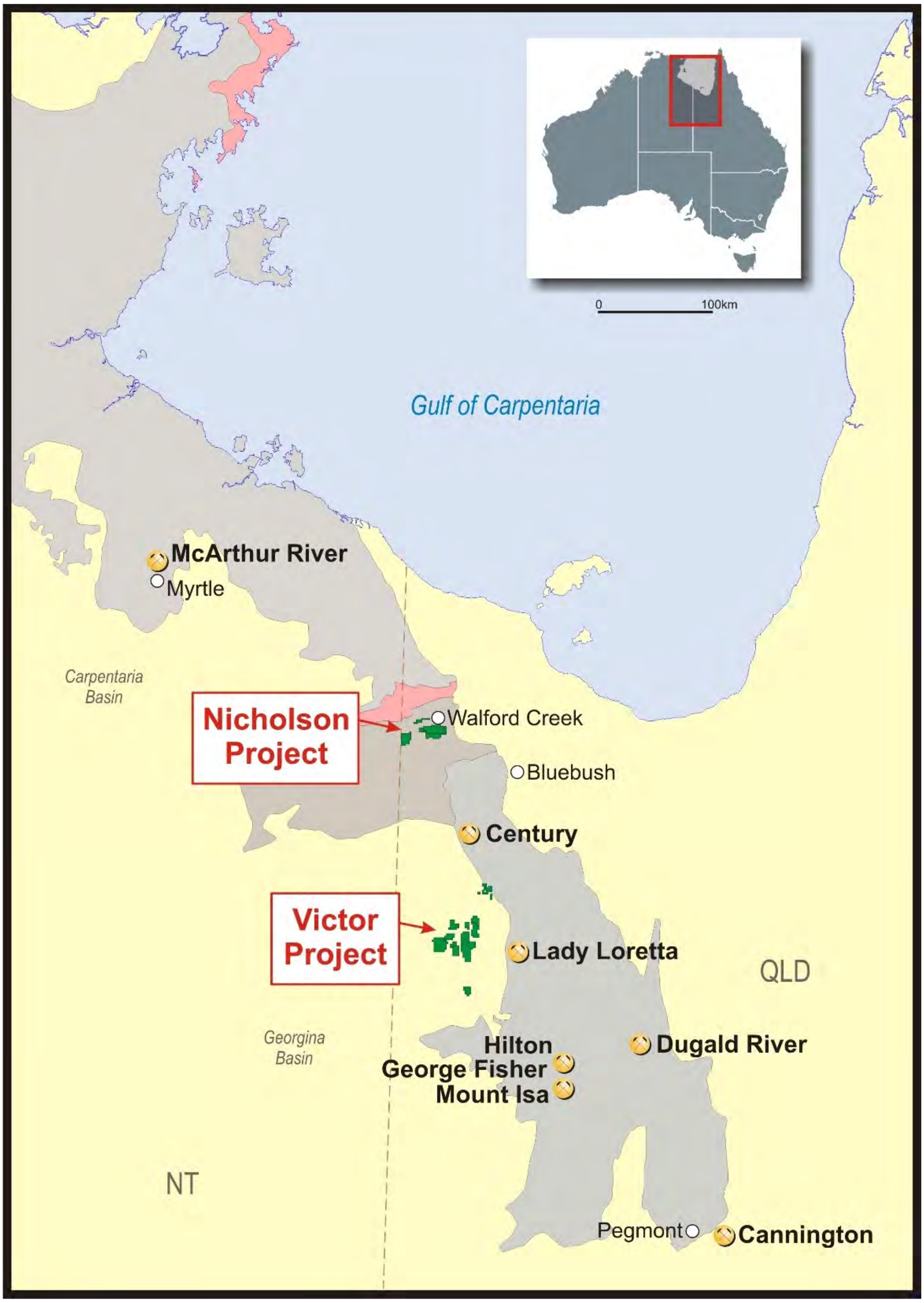


*Figure 2. The Carpentaria Zinc Province*

## ❖ *Regional setting*

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

The project is located within a sequence of prospective Proterozoic sediments within the east-northeast trending Hedleys Graben. This graben is bounded by the Fish River Fault on its northern side and the Nicholson River Fault on its southern side (Figure 3).

Sediments of the Fickling Group within the Hedleys Graben are equivalent in age to sediments that host large base metal mineral deposits at Mount Isa and Macarthur River. In particular, the Mount Les Siltstone has potential for large stratiform base metal deposits. The Doomadgee Formation which unconformably overlies the Mount Les Siltstone is also thought to be of similar age to the part of the Lawn Hill Formation which contains the large stratiform Century lead-zinc-silver deposit. All of these formations are target horizons in the Nicholson Project area.

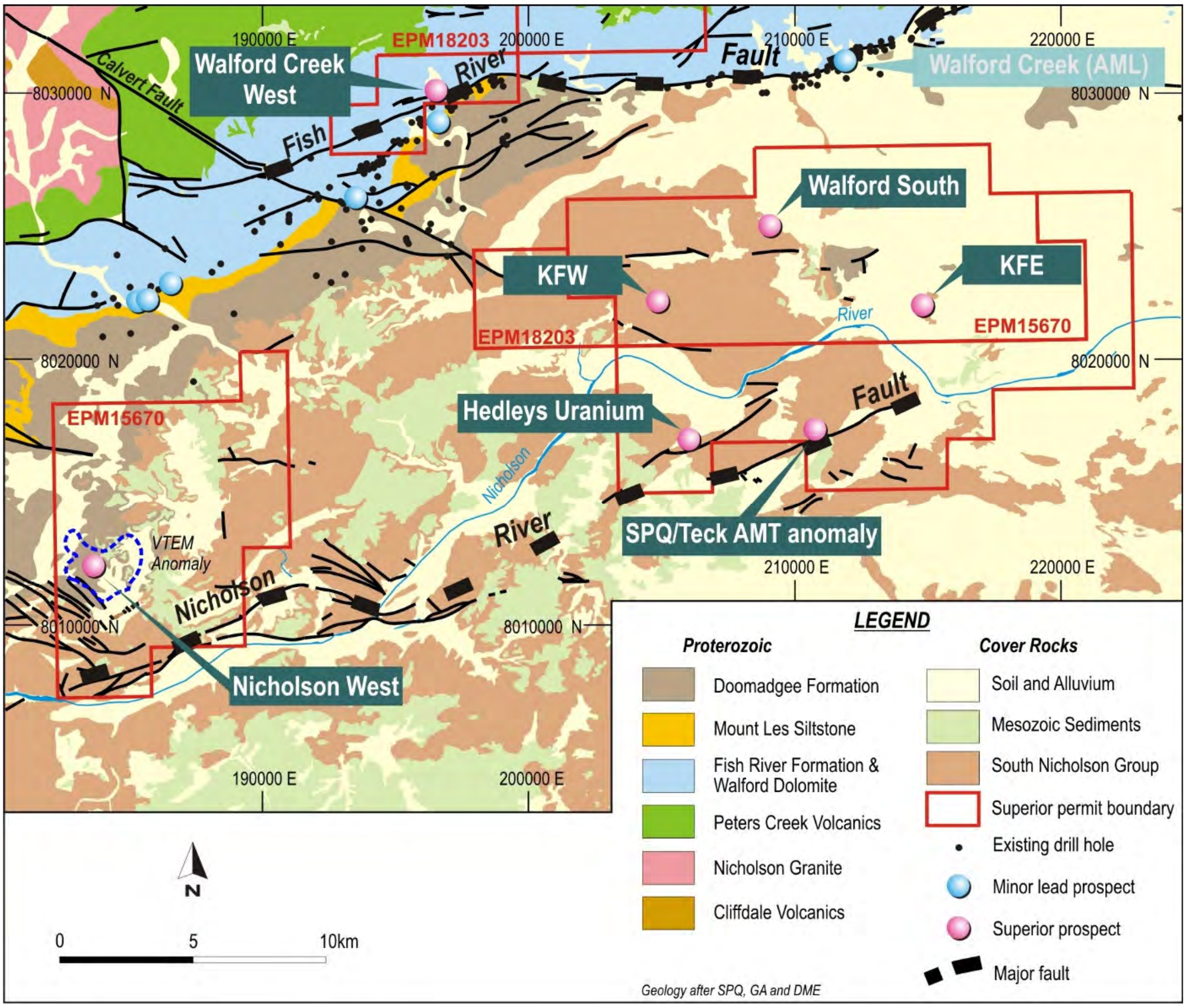

*Figure 3. Nicholson Project tenements and key prospect locations overlaid on regional geology.*

Exploration work completed to date has identified at least eight large high priority geophysical targets, each of which have potential to be caused by Tier 1 – sized stratiform base metal deposits (Figure 3). In addition, the project area also includes the Walford Creek West Zinc-Lead-Copper-Cobalt Prospect and the Hedleys Uranium Prospect (described further below).

### ❖ *Drilling program – South32 joint venture*

The Company entered into an earn-in and joint venture agreement with a wholly-owned subsidiary of South32 Limited during May 2019 to advance the exploration of the Nicholson Project.

The initial exploration program under the joint venture includes the drilling of up to 11 diamond core holes to systematically test up to eight large high priority geophysical conductivity targets. Drilling commenced during late July 2019 and is fully funded by South32.

Under the joint venture agreement, South32 may earn a 70% interest in the project by completing Stage 1 and Stage 2 obligations. Under Stage 1, South32 must fully fund an initial $2 million or 4,000 metres of drilling (whichever comes first) within the first 12 months of operations. After completion of Stage 1, South32 may elect to proceed to Stage 2 by sole-funding a further $4 million on exploration within the next four years. Superior is appointed the Operator of the joint venture during Stages 1 and 2.

After completion of Stages 1 and 2, South32 may elect to earn an additional 10% interest by completing a feasibility study.

By late September 2019, approximately 2,500 metres of drilling over three core holes had been completed. Two of the holes were drilled into the Nicholson West target and one hole into the Kingfisher East target (Figure 3). The drilling confirmed the presence of the prospective Mount Les Siltstone of up to 340 metres thick containing multiple horizons of stratiform sulphide (pyrite and sphalerite) mineralisation. Drilling during 2019 has been focussed on the Nicholson West prospect area.

Assay results are expected to be received during December 2019. Drilling will continue until the end of the 2019 field season.

### ❖ *High priority EM conductivity anomalies*

An airborne VTEM (Versatile Time Domain EM) survey over 260-line kilometres of part of the Nicholson Project was completed by Geotech Airborne Pty Ltd in 2007. The original data was remodelled during late 2018 and interpreted by geophysical consultants – Aarhus Geophysics. The applied Aarhus method is designed for detection and delineation of subsurface contrasts in conductivity and resistivity. In particular, the responses can be interpreted from the collected data to detect sub surface accumulations of massive sulphide deposits.

The conductivity remodelling significantly improved the quality of modelled data at depth and also improved the vertical resolution of conductive formations. In particular, the results have upgraded the Company's original high priority Nicholson West conductivity target as well as identified new high priority and highly conductive targets adjacent to the Nicholson River (Figure 4), both of which are located within the same geological strata.

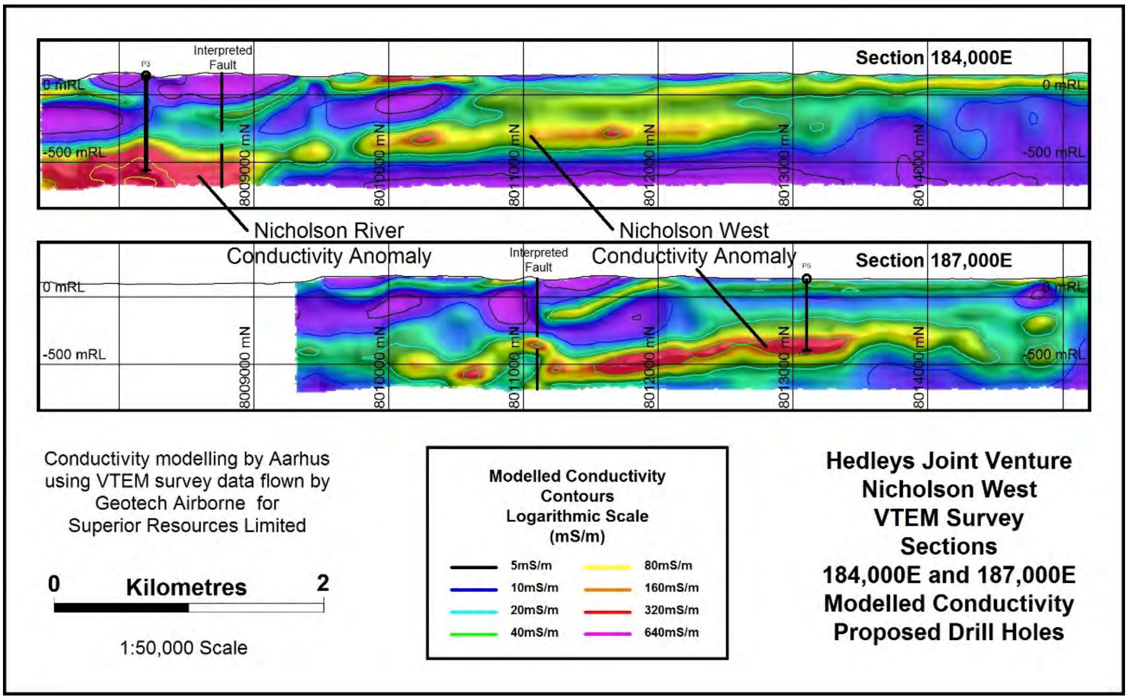


*Figure 4. VTEM Aarhus modelled conductivity sections on lines 184,000E and 187,000E showing the Nicholson West and Nicholson River conductivity anomalies and interpreted major southwest-trending fault.*

The Nicholson River and Nicholson West targets are interpreted to dip shallowly to the south (parallel to the regional stratigraphy), which is consistent with field observations made to the north of the prospect area (Figures 4 and 5). A southwest-northeast trending fault structure is interpreted to be developed between the two anomalies.

Importantly, the Nicholson River and Nicholson West targets can be interpreted in vertical conductivity sections to be coincident with the Mount Les Siltstone, which is the prospective mineralisation host that is known in the region to host Sedimentary Exhalative (SEDEX) style deposits.

Most of the conductivity targets that are planned to be drilled in the South32 joint venture program are of sufficient size to be similar to a McArthur or Century-sized deposit.

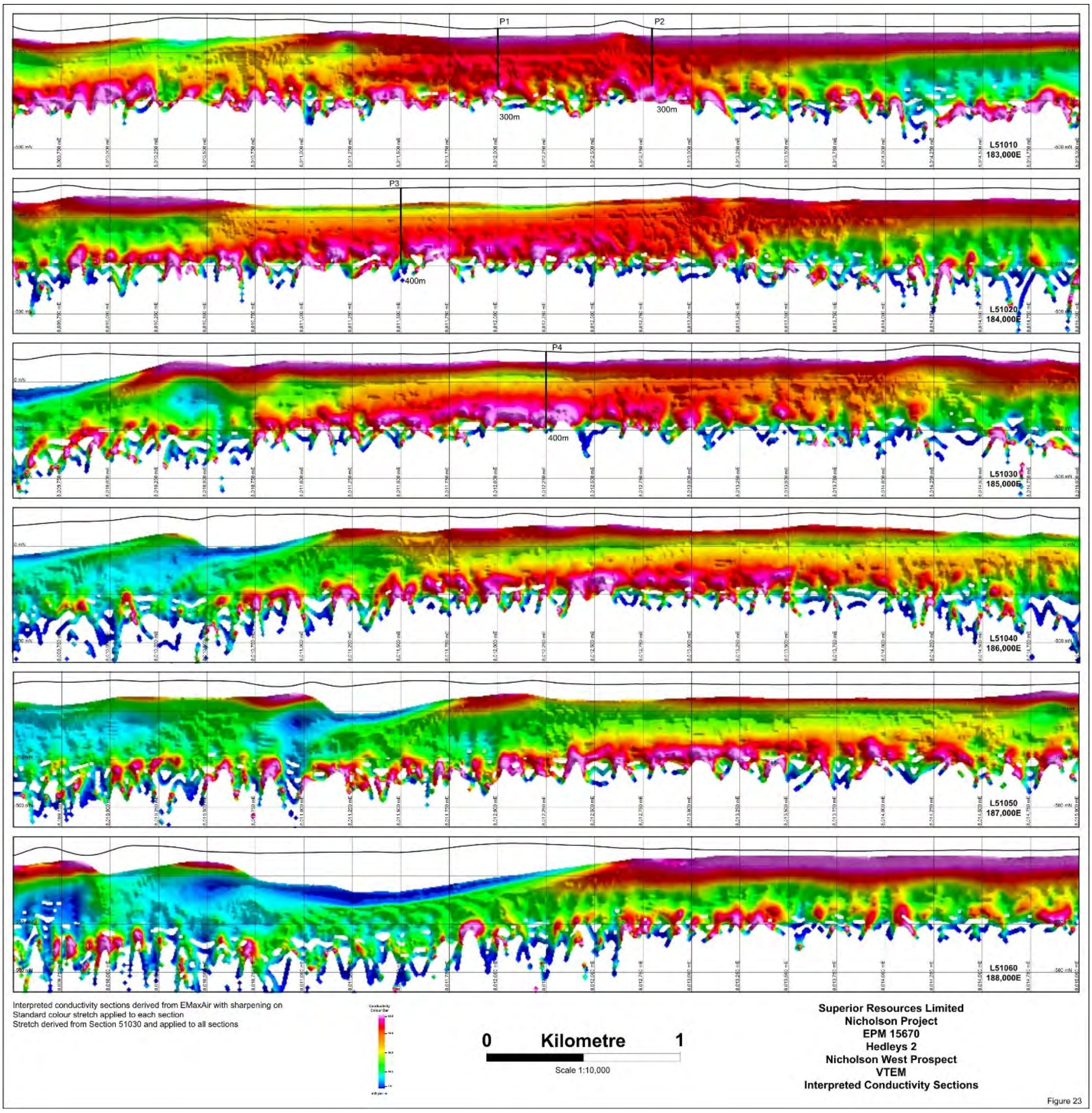


*Figure 5. Nicholson West Prospect – VTEM stacked conductivity sections showing interpreted conductivity anomaly on lines 183,000E, 184,000E, 185,000E and possibly 186,000E.*

### ❖ *Walford Creek West*

Walford Creek West lies within EPM18203 and is the western extension of the Fish River zinc-lead-copper-cobalt mineralised zone and part of Aeon Metals Limited's Walford Creek Project (Figure 3).

Recent drilling located 3.6 kilometres from the boundary of EPM18203 by Aeon Metals, reported copper, cobalt, lead and silver mineralisation from the Mount Les Siltstone.

Walford Creek West forms part of the Company's battery metals portfolio of projects.

### ❖ *Hedleys Uranium*

Hedleys Uranium is a strong, localised airborne uranium radiometric anomaly (Figure 6) associated with a major fault (Figure 7). The anomaly has previously been considered to be an anomaly related to radon gas dissolved in spring waters and has not previously been drilled.

Superior's work indicates that the source of the anomaly lies approximately 100 to 150m above the major unconformity between the sandstones and siltstones of the South Nicholson Group and the underlying carbonaceous siltstones of the Doomadgee Formation and the Mt Les Siltstone (Figure 8).

A number of major uranium deposits in the Athabasca Basin of Canada and the Alligator River Region of Australia lie on or close to similar unconformities (between Proterozoic reduced crystalline rocks and overlying sandstones). Hedleys Uranium therefore warrants further work.

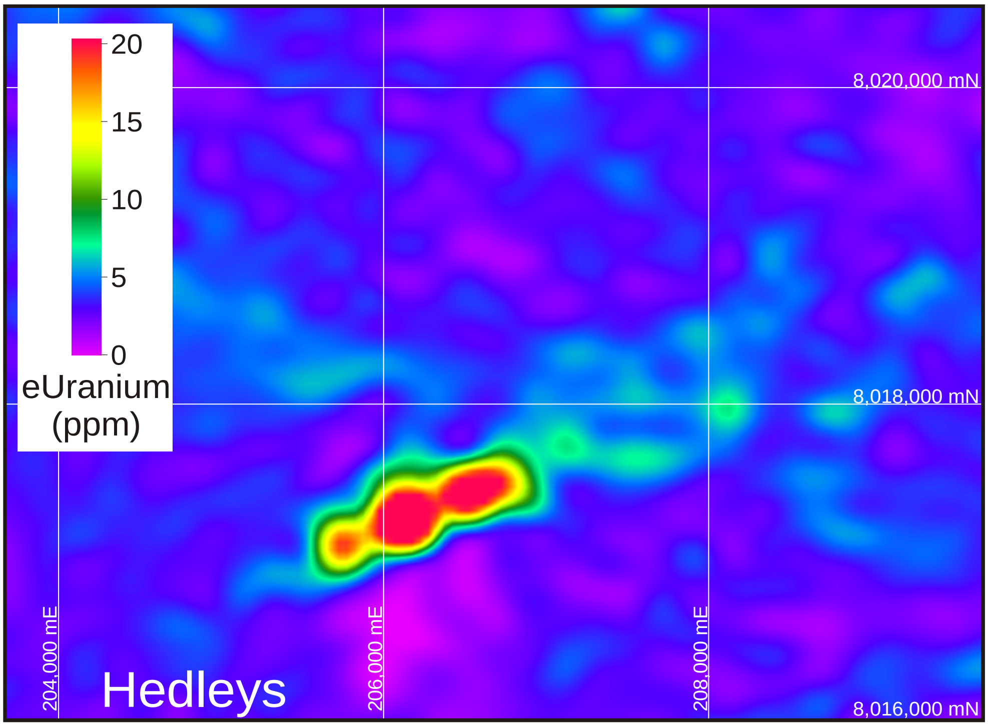


*Figure 6. Image of uranium airborne radiometrics showing the Hedleys Uranium Anomaly.*

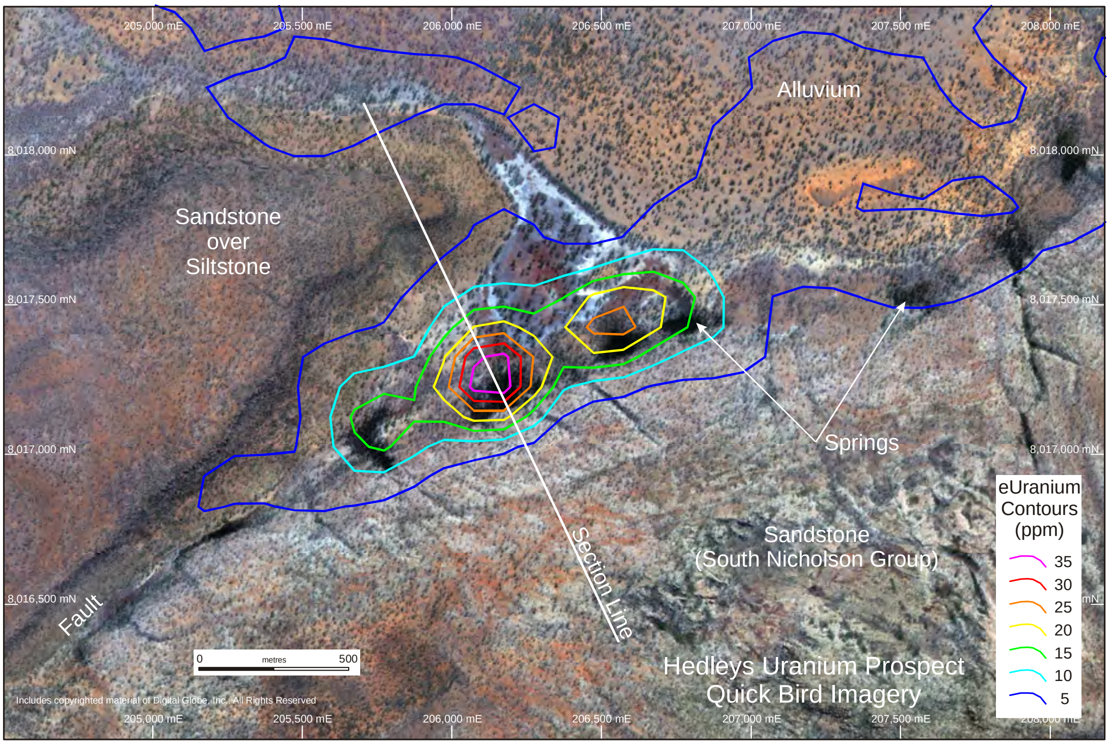


*Figure 7. Satellite image of Hedleys Uranium showing the association of the uranium anomaly with a major fault. Note the position of the section in Figure 8.*

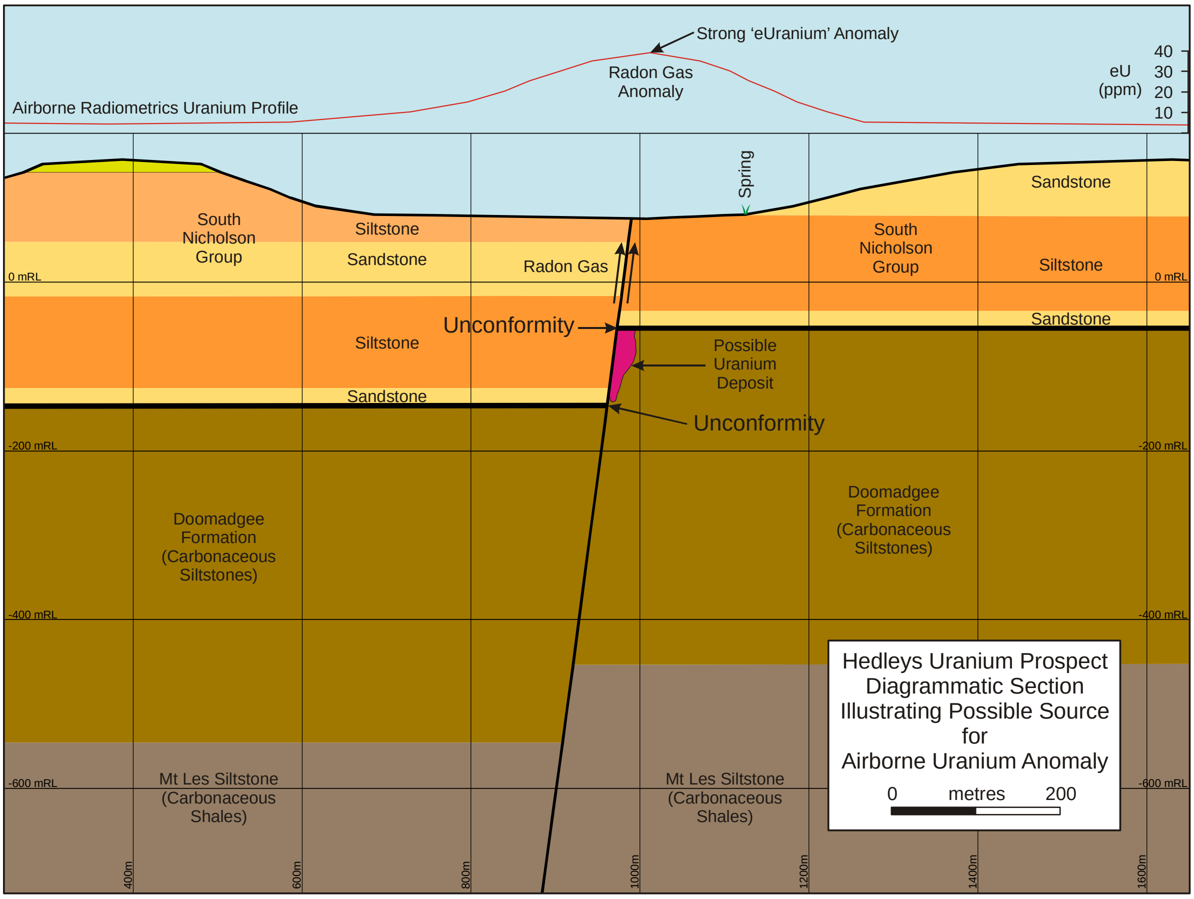


*Figure 8. Hypothetical section through Hedleys Uranium showing the possible location of the source of the uranium which may have caused the airborne uranium anomaly. Refer Figure 7 for the section location.*

# Victor Project

## Mount Isa Style Lead-Zinc-Silver / Copper

SUPERIOR'S "NEXT MOUNT ISA" PROJECT COMPRISING SIX EXPLORATION PERMITS, COVERING A TOTAL AREA OF 717KM$^2$. "TIER 1" LEAD-ZINC PROJECT LOCATED WITHIN THE CARPENTARIA ZINC PROVINCE, NORTH WEST QUEENSLAND. AN INDUSTRY SECTOR-LEADING OPPORTUNITY TO DISCOVER A WORLD-CLASS MOUNT ISA STYLE ZINC-LEAD-COPPER DEPOSIT.

The Victor Project represents the Company's "Next Mount Isa" project and comprises six exploration permits for minerals (**EPM**) covering a combined total area of 717 km$^2$.

Work conducted by the Company indicates that stratigraphy prospective for the discovery of Mount Isa Style deposits is likely to be present under moderate sedimentary cover within the Victor Project area. This area is relatively un-explored.

Superior's exploration strategy is based on the mechanism of geochemical "leakage" of key metals (lead, zinc and copper) from a deeper Proterozoic mineralised source into the younger sediments overlying the Proterozoic (Figure 9).

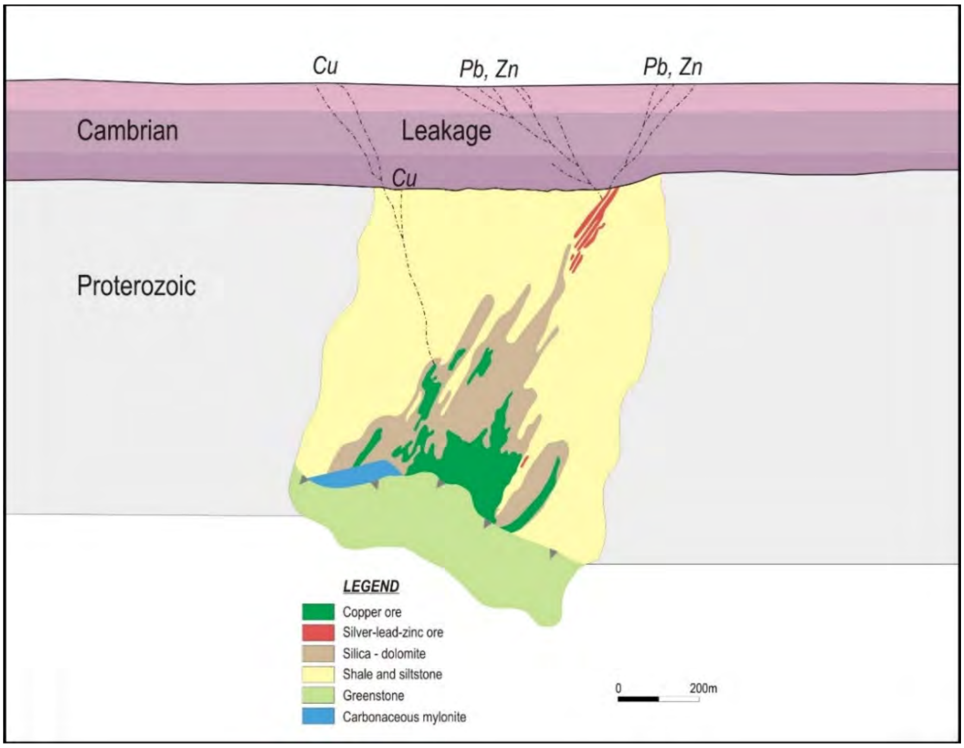


*Figure 9. Diagrammatic representation of the 'leakage' concept. Superior believes that 'leakage' from Proterozoic deposits into the overlying cover rocks may be one of the best methods of targeting prospective areas for Mount Isa Style deposits under younger sediments.*

### ❖ *Geochemical Leakage into Surrounding Rocks and Overlying Cover*

Superior understands that there are two important types of "leakage":

1. the formation of major metal deposits is accompanied by "leakage" of metals at the time of formation into the surrounding area resulting in "halo" anomalies/mineralisation. At Mount Isa a

subtle lead anomaly extends along the faults/stratigraphy well beyond the ore bodies. These anomalies are recognisable in regional geochemical images; and

2. it is apparent that lead and zinc (and probably copper) are remobilized into rocks above deposits, post deposit formation. The lead-zinc within Cambrian cover sediments at Century and Grevillea support this statement. The large lead-zinc anomaly at the Victor Project make this an area potentially hosting large Proterozoic deposits below the Cambrian cover in which the anomaly is developed (Figures 10 and 11).

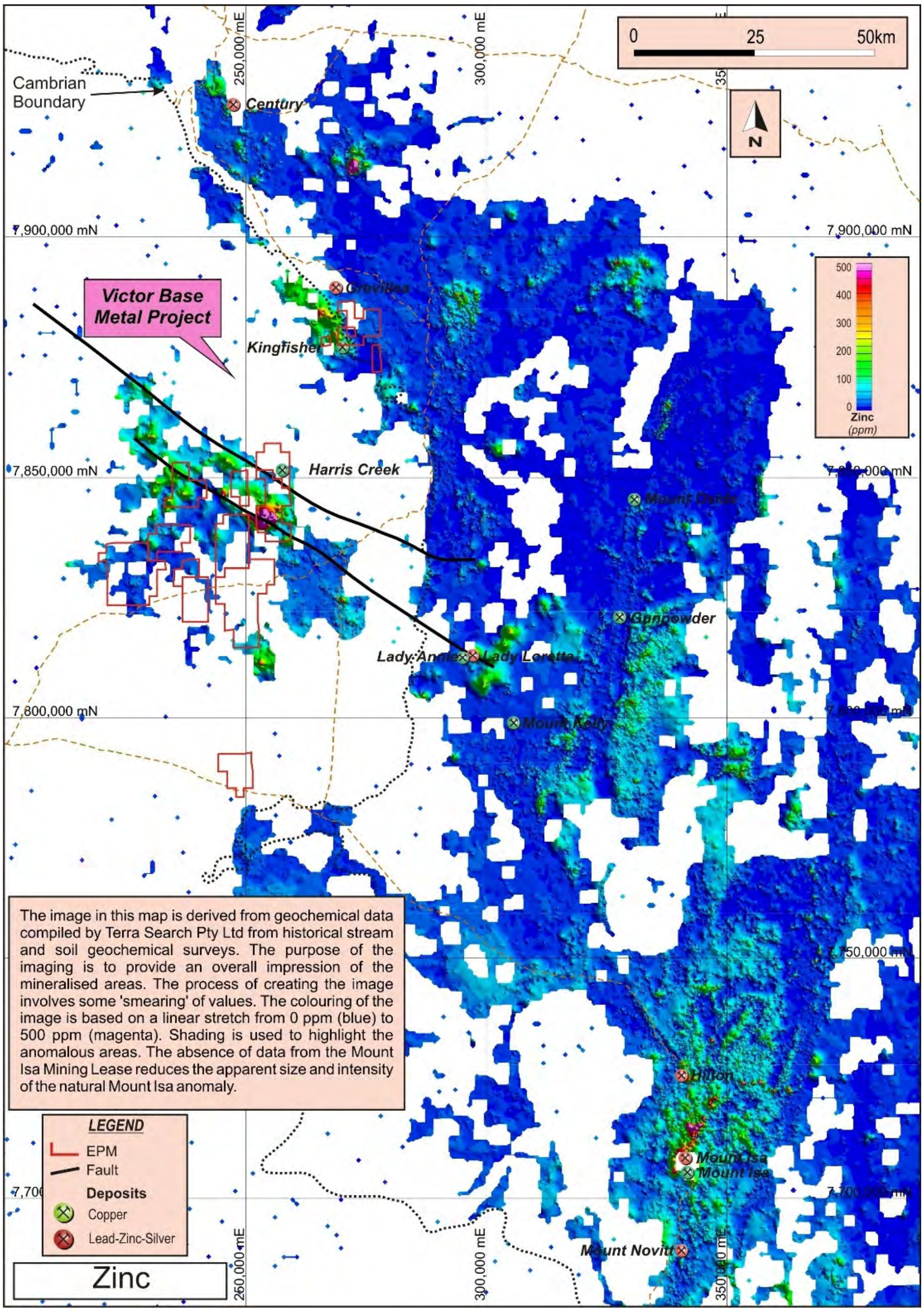


*Figure 10. Imaging of historical stream and soil geochemical values highlight the Victor Project area because of strong lead and zinc anomalies. This image shows that zinc anomalies are associated with other areas of significant mineralisation including Mount Isa, Lady Loretta, Century and Grevillea. The size and intensity of the Victor Project lead and zinc anomaly is similar to that at Mount Isa.*

### ❖ *Historical Airborne Surveys*

The north-west Queensland area is blessed by almost complete coverage by airborne magnetics and radiometrics (Figure 11). In addition to this coverage there are numerous historical airborne EM surveys available which are largely ignored by explorers. Superior has acquired most of the EM surveys in digital form and processed a number of surveys to produce conductivity sections. Many of the surveys contain anomalies over conductive graphitic sediments which makes interpretation for mineralisation difficult. However, the surveys provide a view of the stratigraphy in covered areas. As mineralisation is often associated with graphitic sediments the location of these conductive units can assist the delineation of prospective areas.

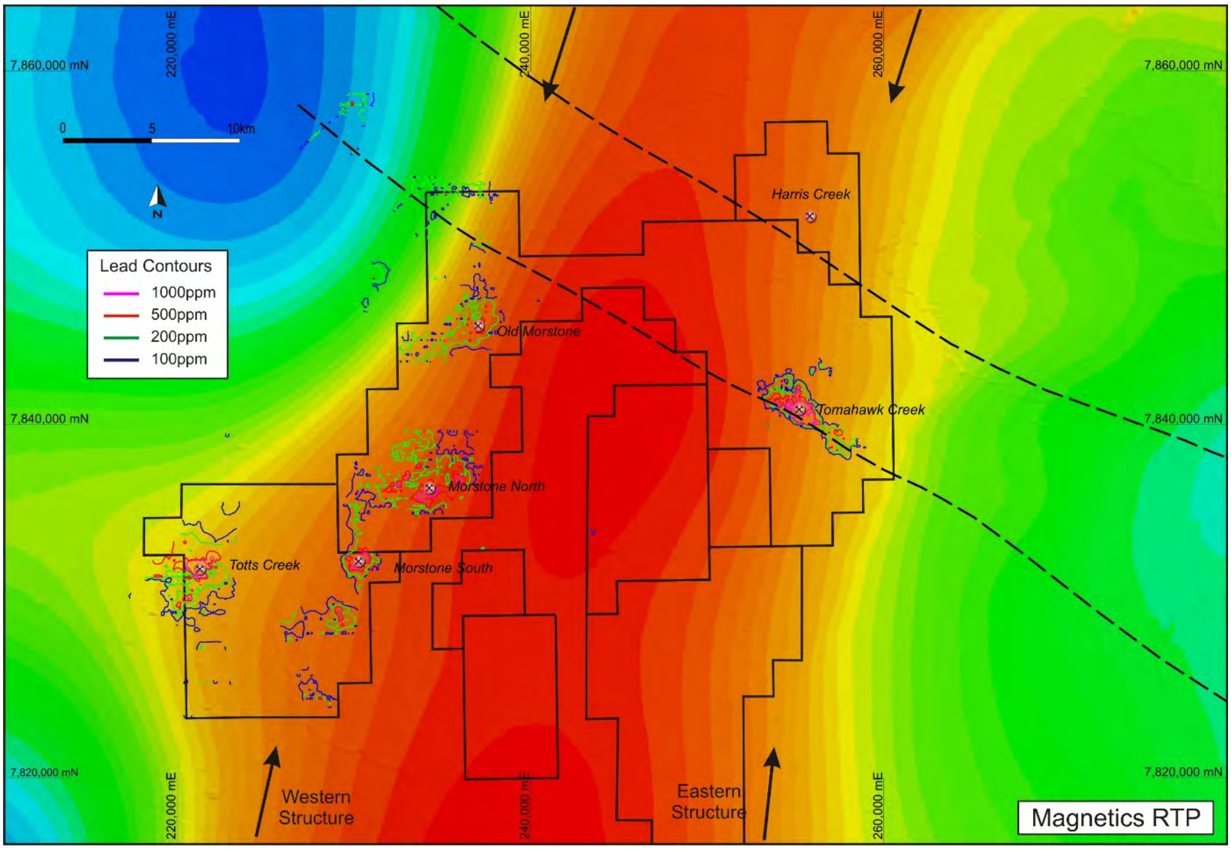


Figure 11. Soil lead geochemical anomalies coincident with deeper large basement structures.

# Greenvale Project

## Porphyry and VMS Copper-Gold / Nickel-Cobalt / Gold

HIGHLY MINERALISED LUCKY CREEK CORRIDOR, WHICH IS HELD ENTIRELY BY THE COMPANY, IS RETURNING SUCCESS FOR THE COMPANY AT MULTIPLE LEVELS.

THE GREENVALE PROJECT COVERS A REGION OF VOLCANIC AND INTRUSIVE ROCKS OF ORDOVICIAN AGE THAT ARE SIMILAR IN TYPE AND AGE TO THE PORPHYRY COPPER BELT IN NEW SOUTH WALES. THE NEW SOUTH WALES BELT OF ROCKS HOST THE LARGE CADIA AND NORTH PARKES PORPHYRY COPPER MINES. THE SEQUENCE OF ROCKS IN THE GREENVALE AREA ARE LIKELY TO BE THE NORTHERN-MOST EXTENSION OF THE REMNANT NEW SOUTH WALES ORDOVICIAN MACQUARIE ARC ROCKS (FIGURE 12).

Superior's Greenvale Project is highly prospective for VMS and porphyry copper, gold, zinc and silver deposits and contains at least ten mineral prospects (Figures 13 and 14). The project is located within an area of notable economic significance, being proximal to the Kidston, Balcooma, Surveyor and Dry River South deposits.

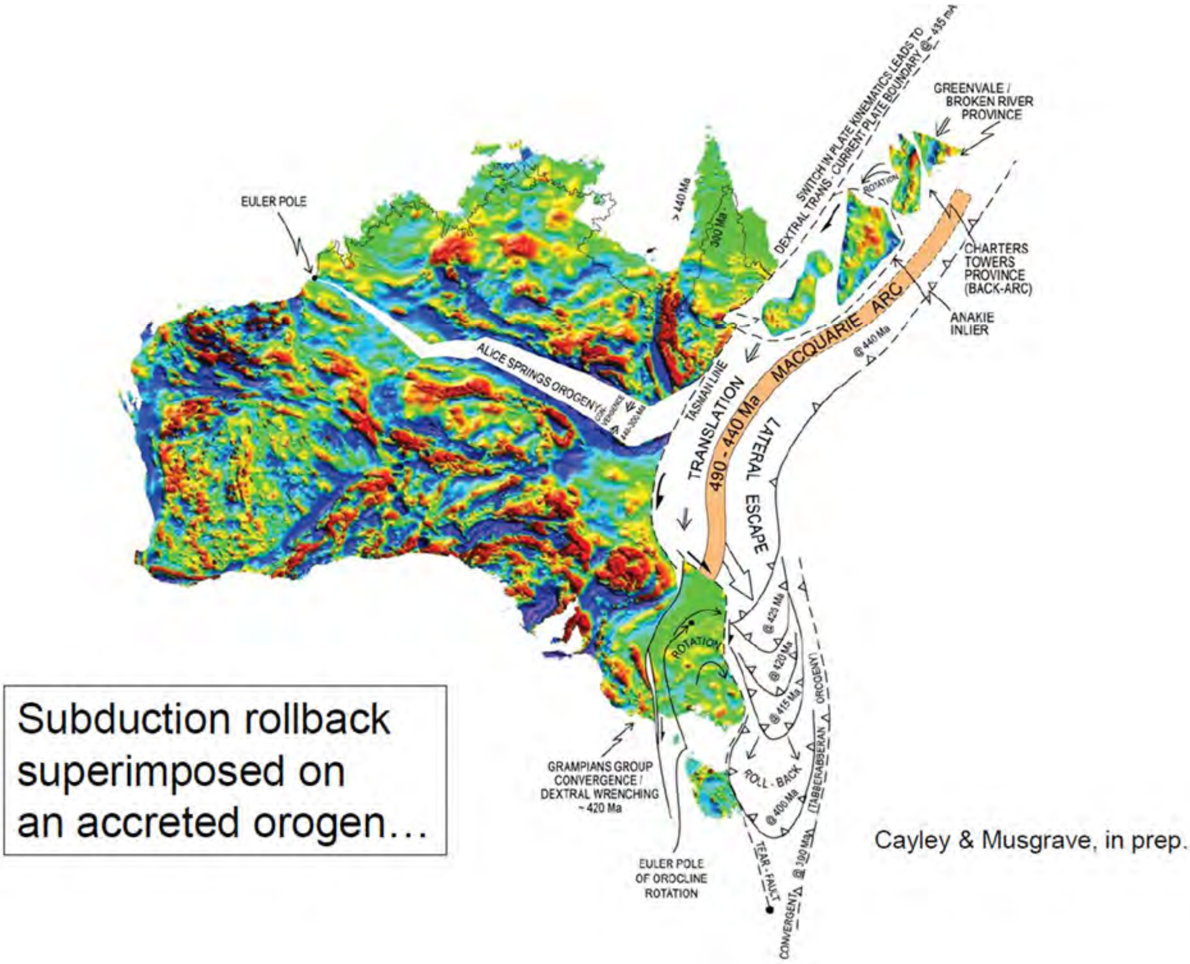


*Figure 12. A reconstruction of the Macquarie Arc across eastern Australia showing the development of the Greenvale Province and other provinces including the Charters Towers Province.*

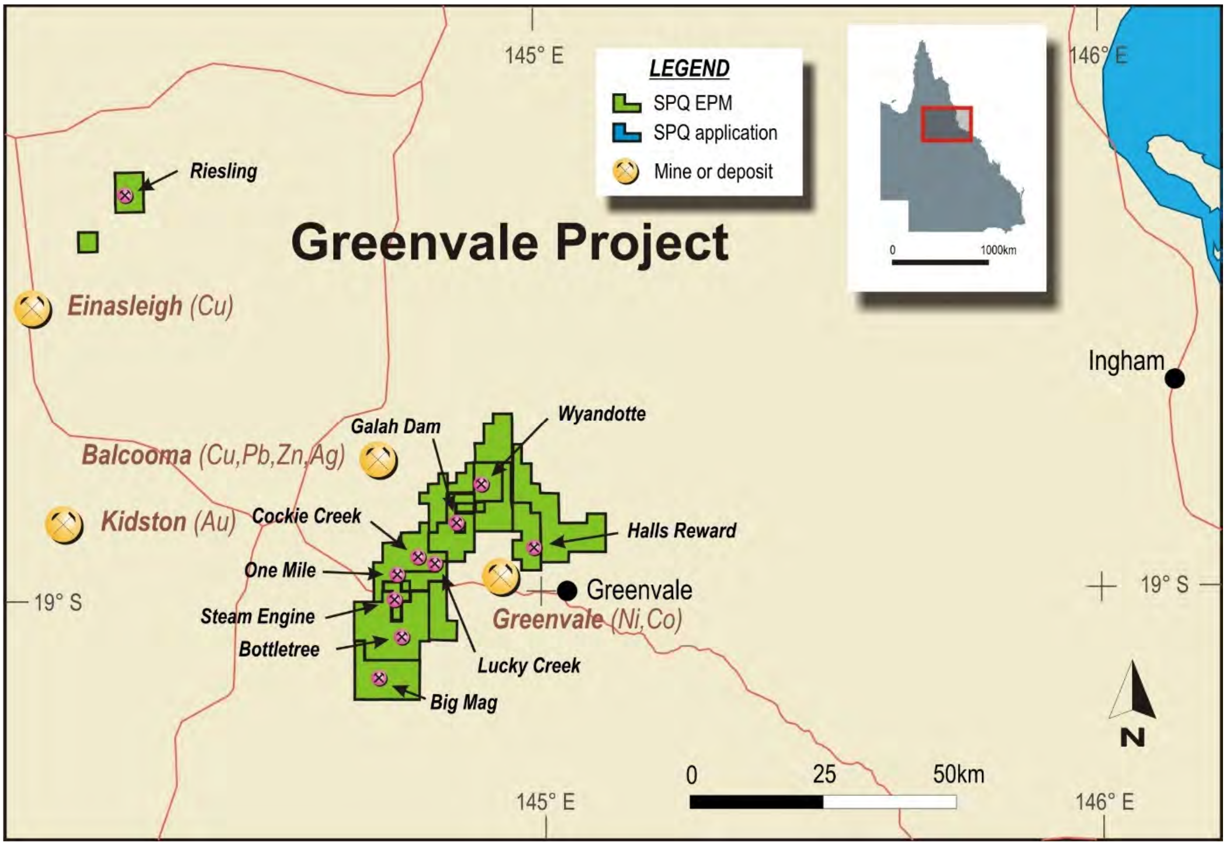


*Figure 13. Greenvale Project tenement location map showing locations of key prospects.*

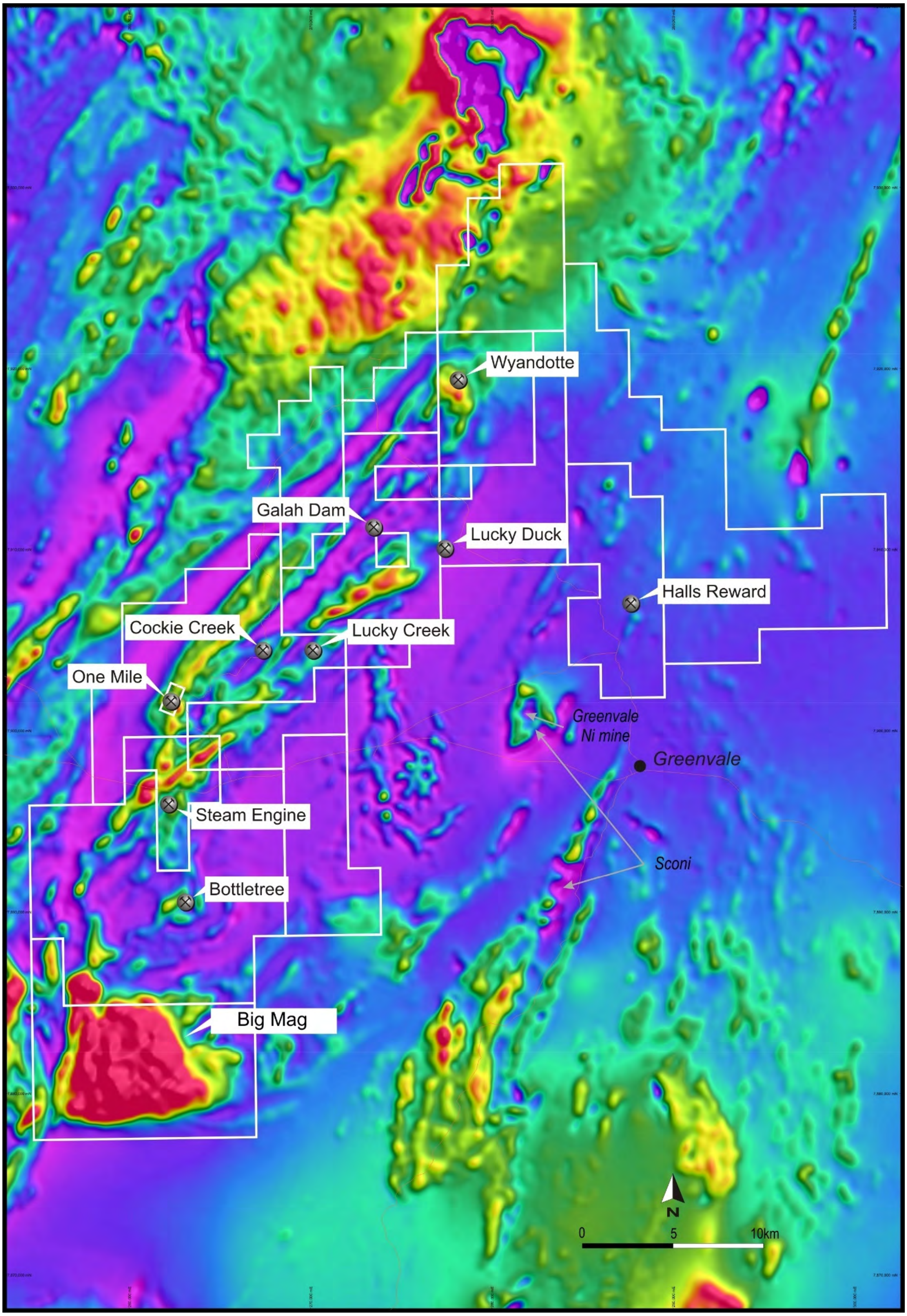


*Figure 14. Airborne magnetics (RTP) processed image over the Greenvale Project area and surrounds, showing the key prospects within the Greenvale Project.*

## Bottletree

COPPER-GOLD

BOTTLETREE IS A LARGE (2KM X 1KM) SOIL COPPER ANOMALY (FIGURE 15), WITH A COINCIDENT LARGE AND HIGH ORDER CHARGEABILITY ANOMALY. RC AND DIAMOND DRILLING DURING 2017 AND 2018 CONFIRMED EXTENSIVE COPPER MINERALISATION EXTENDING TO DEPTHS IN EXCESS OF 300 METRES. DIAMOND DRILLING DURING 2018 DISCOVERED HIGH GRADE COPPER MINERALISATION AT DEPTH. NEW 3D MODELLING INDICATES THAT A LARGE COPPER TARGET LIES AT DEPTH AND IMMEDIATELY SOUTH OF 2018 DIAMOND DRILLING. DELINEATION AND DEFINITION DRILLING HAS ONLY JUST COMMENCED.

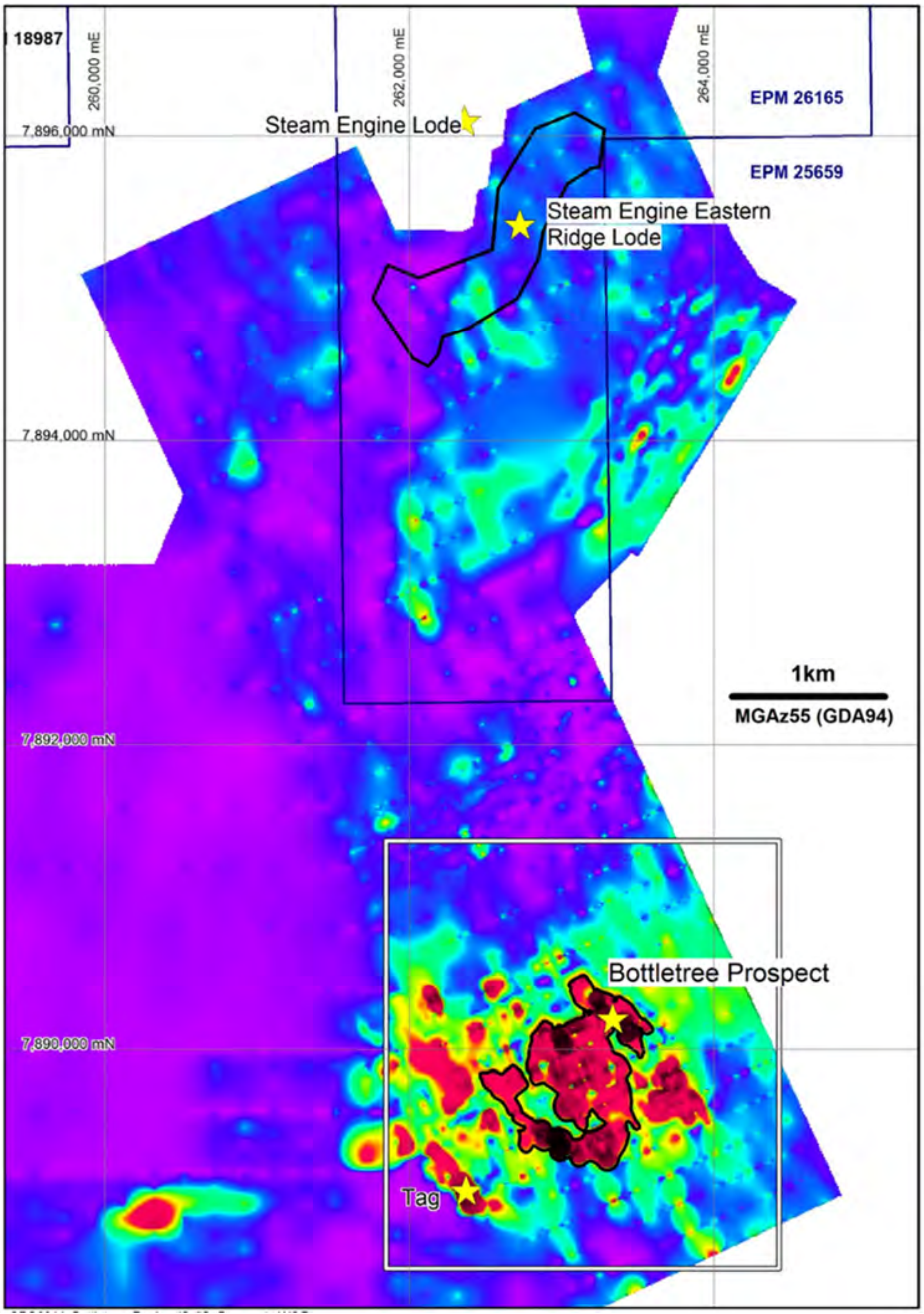


*Figure 15. Copper-in-soil processed image showing the large scale Bottletree copper in soil anomaly.*

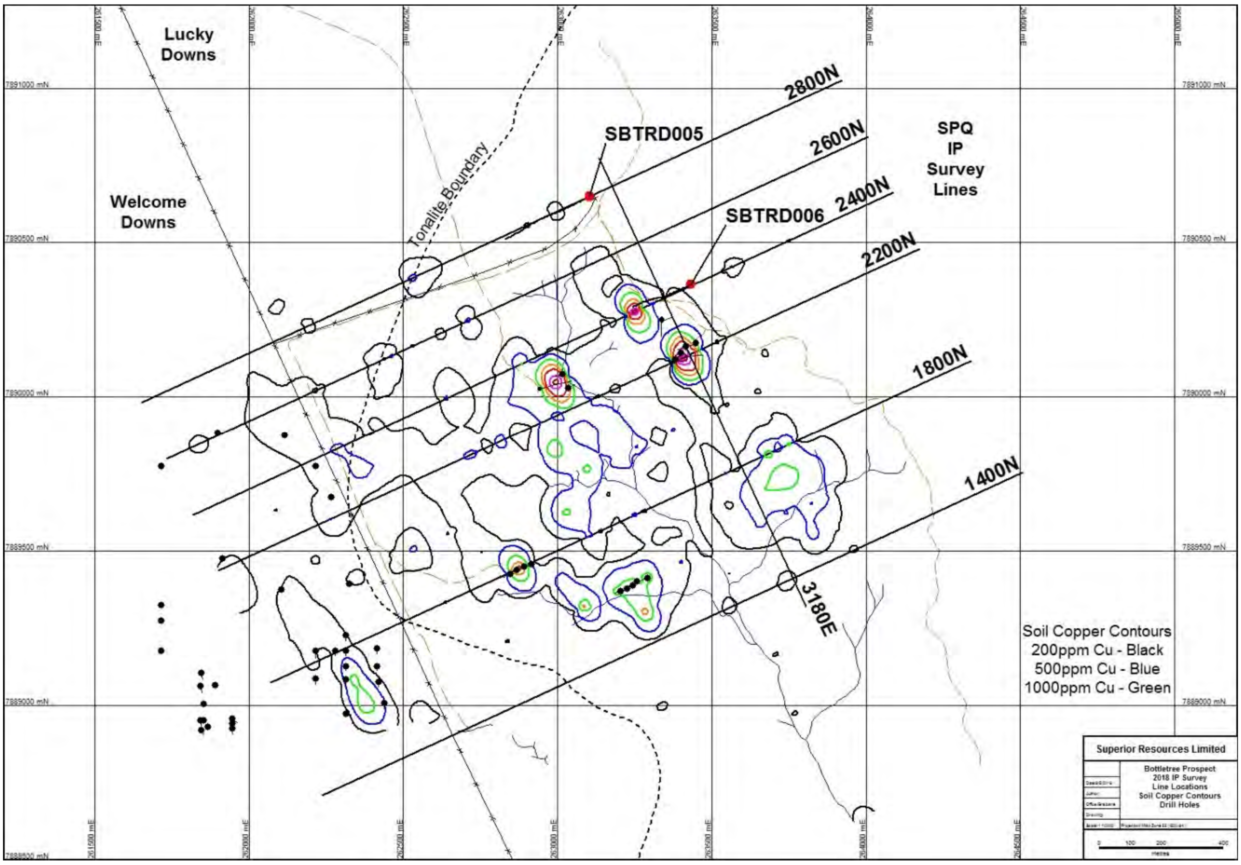


*Figure 16. Bottletree MIMDAS IP survey line locations plotted over soil copper geochemistry, showing drill holes SBTRD005 and SBTRD006. Also shown are cross section line 2400N and long section 3180E.*

Following on from a four-hole, 528 metre RC drilling program completed during July 2017, the Company completed a MIMDAS IP geophysical survey in 2018 (Figure 16) and the first deep diamond drilling program at Bottletree[1]. Two holes (650 metres and 450 metres) were drilled into a large MIMDAS induced polarisation (**IP**) chargeability anomaly coincident with near surface copper mineralisation.

Significant broad intervals of extensive visible coarse-grained chalcopyrite, pyrite and pyrrhotite mineralisation were intersected in hole SBTRD006 with copper grades ranging from less than 0.1% to greater than 1% copper. Assay results returned the following average grades[2]:

- 292m @ 0.22% copper (from 148m to 440m)[3];
- including 18.7m @ 1.12% copper (from 328m to 346.7m)[4].

Advanced 3D modelling of the MIMDAS survey results indicate a close correlation between the copper grades and chargeability. A cross section generated along survey line 2400N and a long section along 3180E indicate that the drilling to date has penetrated the edges of the main IP target zone (Figures 17 and 18). Based on the correlation between the IP data and the drill hole assay results, higher grade copper mineralisation is expected to be encountered within the main chargeable target zone, which is located to the south of SBTRD006 and also at deeper levels.

The limits to this large copper mineralised system have not yet been delineated and it remains open both laterally and at depth.

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[1] MIMDAS IP survey completed during May 2018, diamond drilling program completed late August 2018.
[2] Assay results were received during October 2018 (refer ASX announcement 25 October 2018).
[3] Cut-off of grade of 0.1% Cu but with some narrow intervals of less than 0.1% Cu included.
[3] Cut-off of grade of 0.5% Cu including narrow intervals of less than 0.5% Cu.

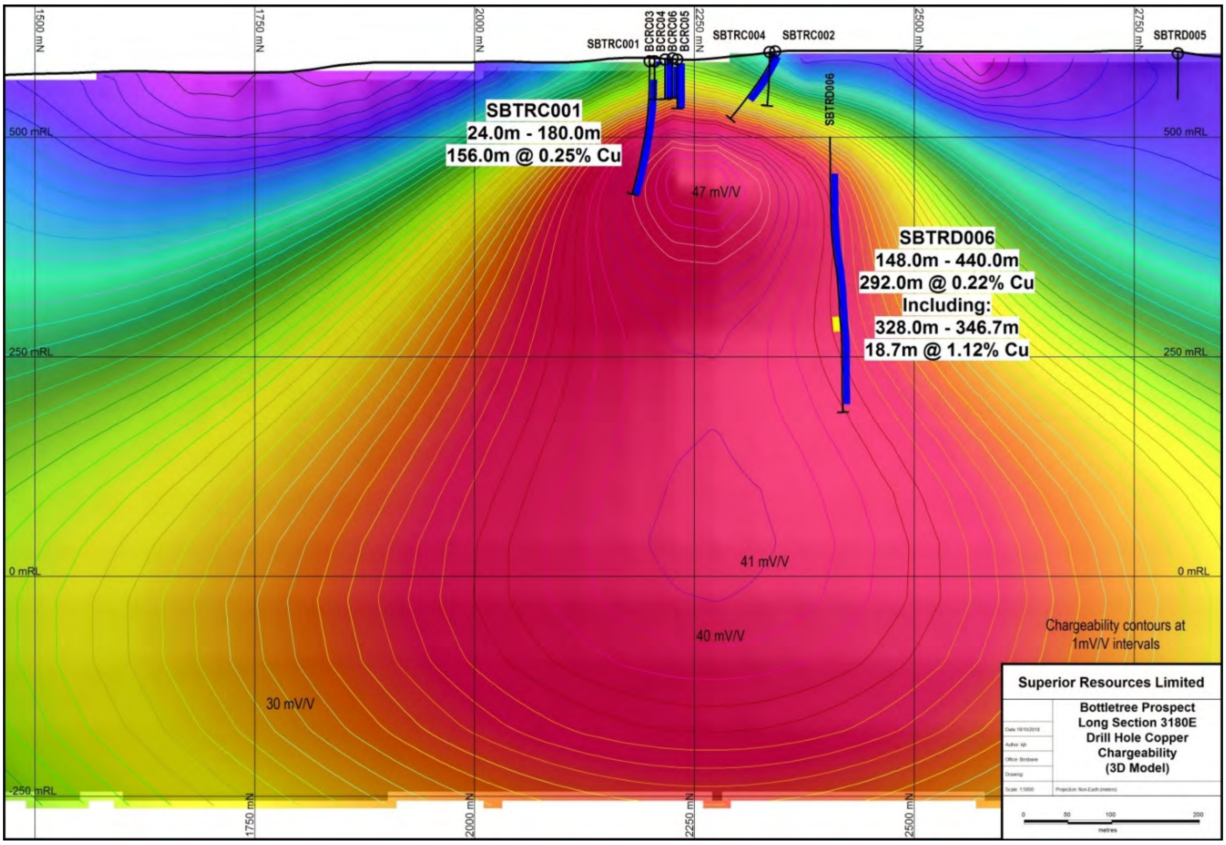



*Figure 17. Bottletree long-section 3180E through hole SBTRD006 and other holes showing average copper intersections on a background image of chargeability from 3D modelling of MIMDAS IP survey data.*

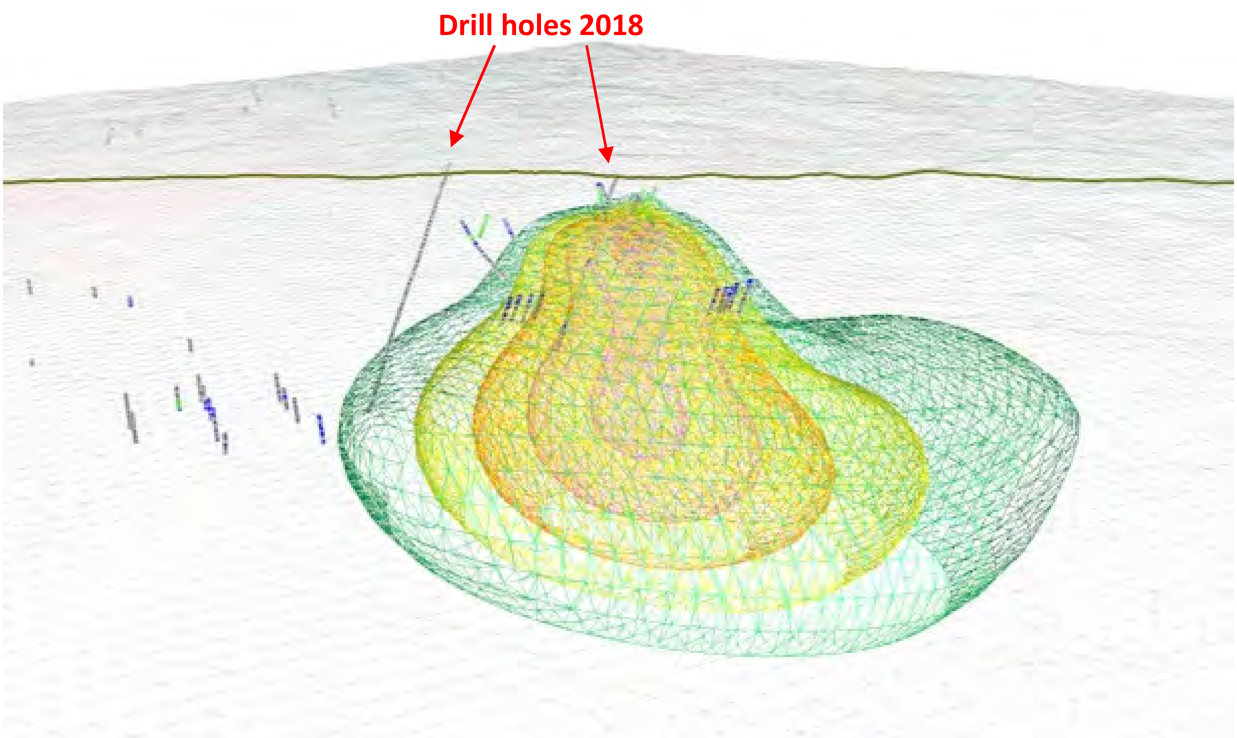



*Figure 18. 3D modelling of Bottletree MIMDAS IP survey results presented in wireframe, showing locations of 2018 drill holes SBTRD005 and SBTRD006.*

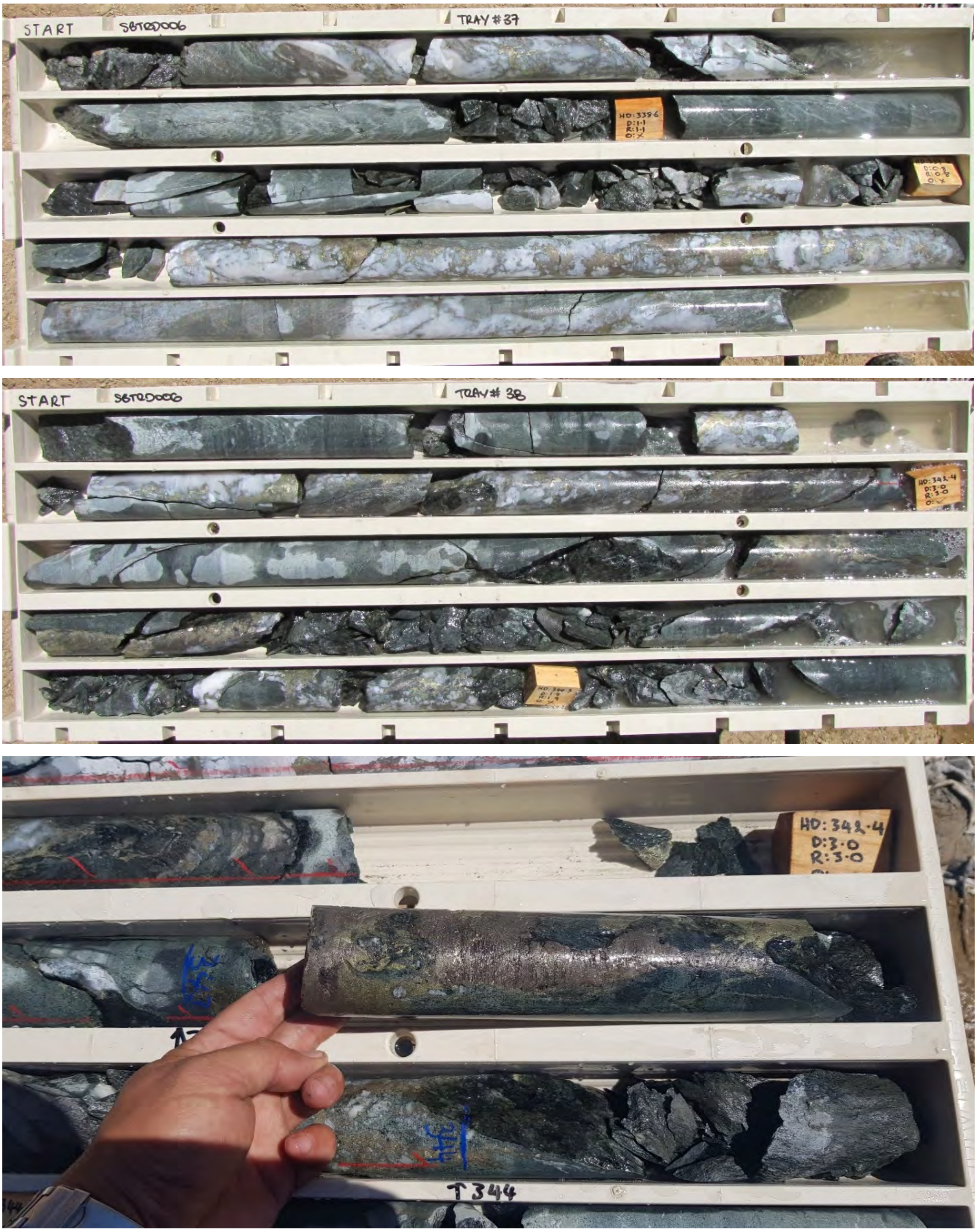



*Figure 19. Bottletree SBTRD006 core: Top and middle photographs showing Trays 37 and 38 containing drill core from down hole depths 337m – 341.5m (approx.) and 341m – 344.5m (approx.) respectively, showing strong chalcopyrite and pyrite mineralisation. Bottom photograph shows close-up view of drill core from 343m (approx.).*

## Big Mag

NICKEL-COBALT / COPPER-GOLD / ZINC

CHARACTERISED BY A REGIONALLY LARGE HIGH-ORDER MAGNETIC ANOMALY OF APPROXIMATELY 25KM$^2$ IN AREA (FIGURES 20 AND 21). CONSIDERED TO BE RELATED TO THE SAME SERIES OF ROCKS AS THE GREENVALE NICKEL MINE (SCONI). LARGELY UNEXPLORED WITH ONLY MINOR SHALLOW DRILLING ON THE NORTHERN MARGINS. EXISTING DRILLING IDENTIFIED LATERITE AND TERTIARY SEDIMENTS OVERLYING MAFIC TO ULTRAMAFIC INTRUSIVE ROCKS, INDICATING HIGH POTENTIAL FOR NICKEL-COBALT MINERALISATION.

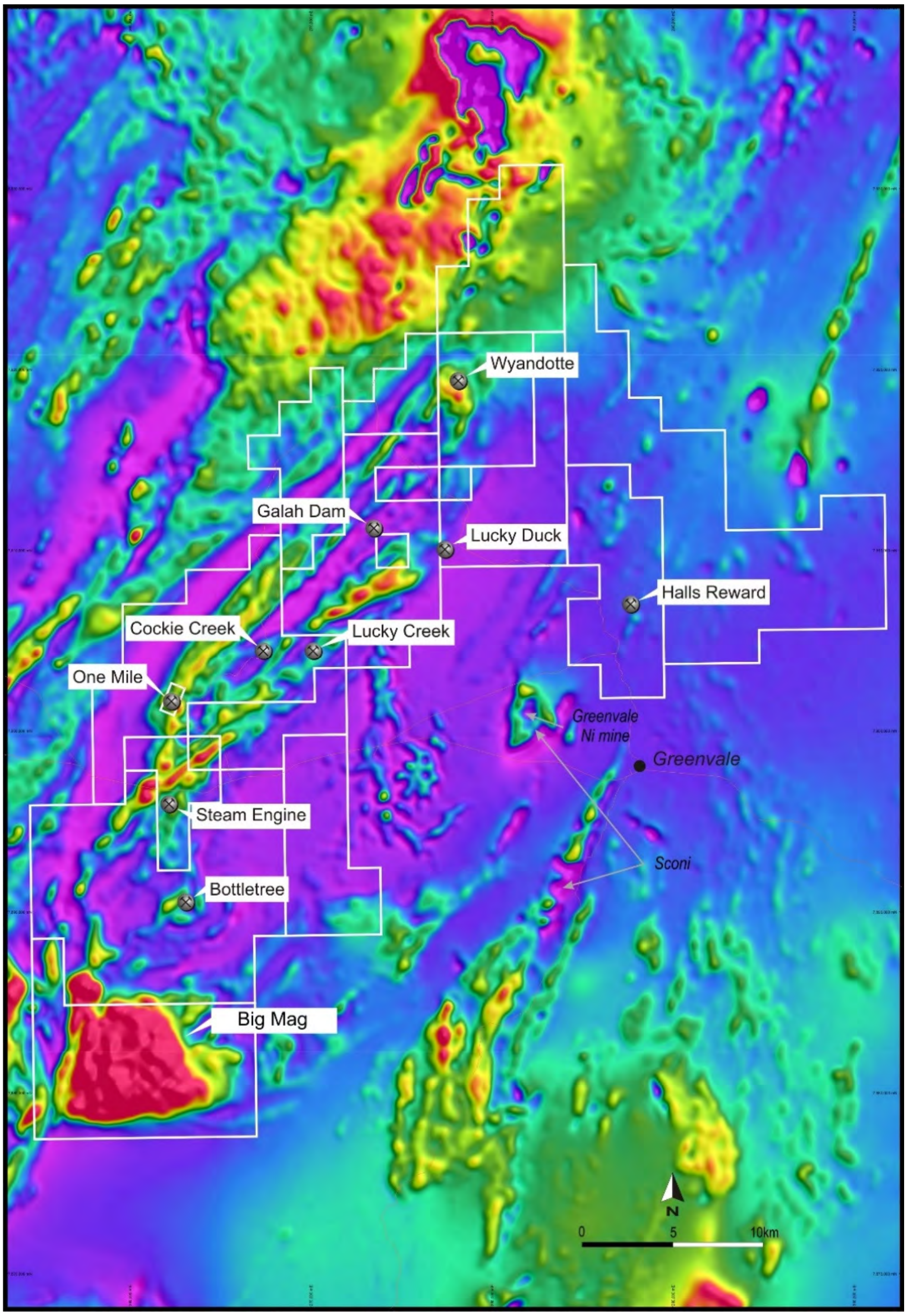



*Figure 20. Airborne magnetics (RTP) processed image over the Greenvale Project area and surrounds. Big Mag is shown relative to other Greenvale Project prospects.*

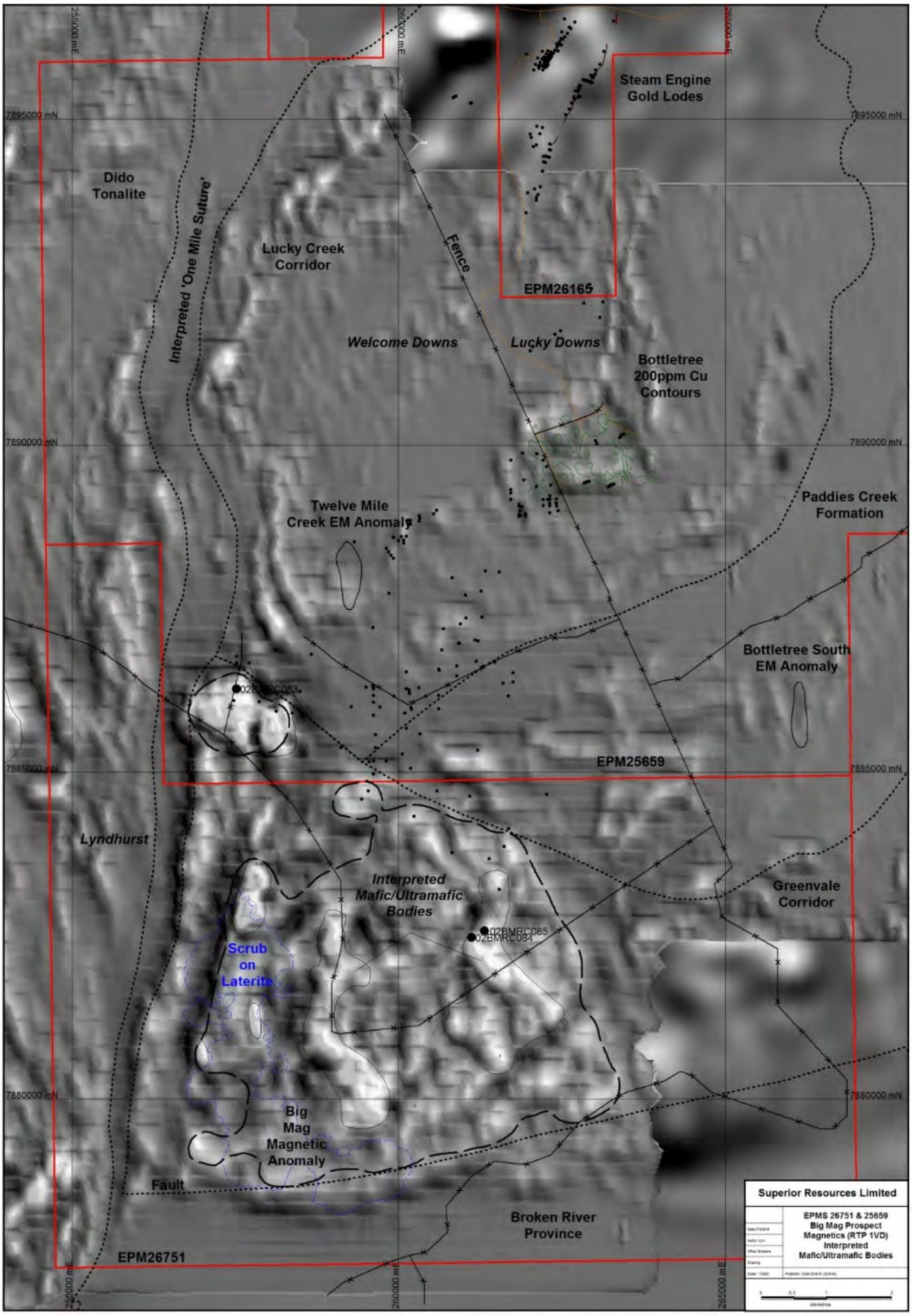



*Figure 21. Airborne magnetics (RTP 1VD) processed image with the Big Mag feature visible in the southern part of the image.*

# Steam Engine Gold Deposit

GOLD

EXTENSIVE HIGH GRADE GOLD LODES DEVELOPED IN SHEAR ZONES WITH OVER 2.5 KILOMETRES OF STRIKE LENGTH IDENTIFIED AT SURFACE. MAIDEN JORC INFERRED MINERAL RESOURCE ESTIMATE BASED ON 400 METRES OF LODE STRIKE LENGTH. MINERALISATION OPEN AT DEPTH AND ALONG STRIKE.

The Steam Engine Gold Deposit contains at least two sub-parallel gold bearing lodes, referred to as the Steam Engine Lode and the Eastern Ridge Lode, which are separated by about 600 metres (Figure 22).

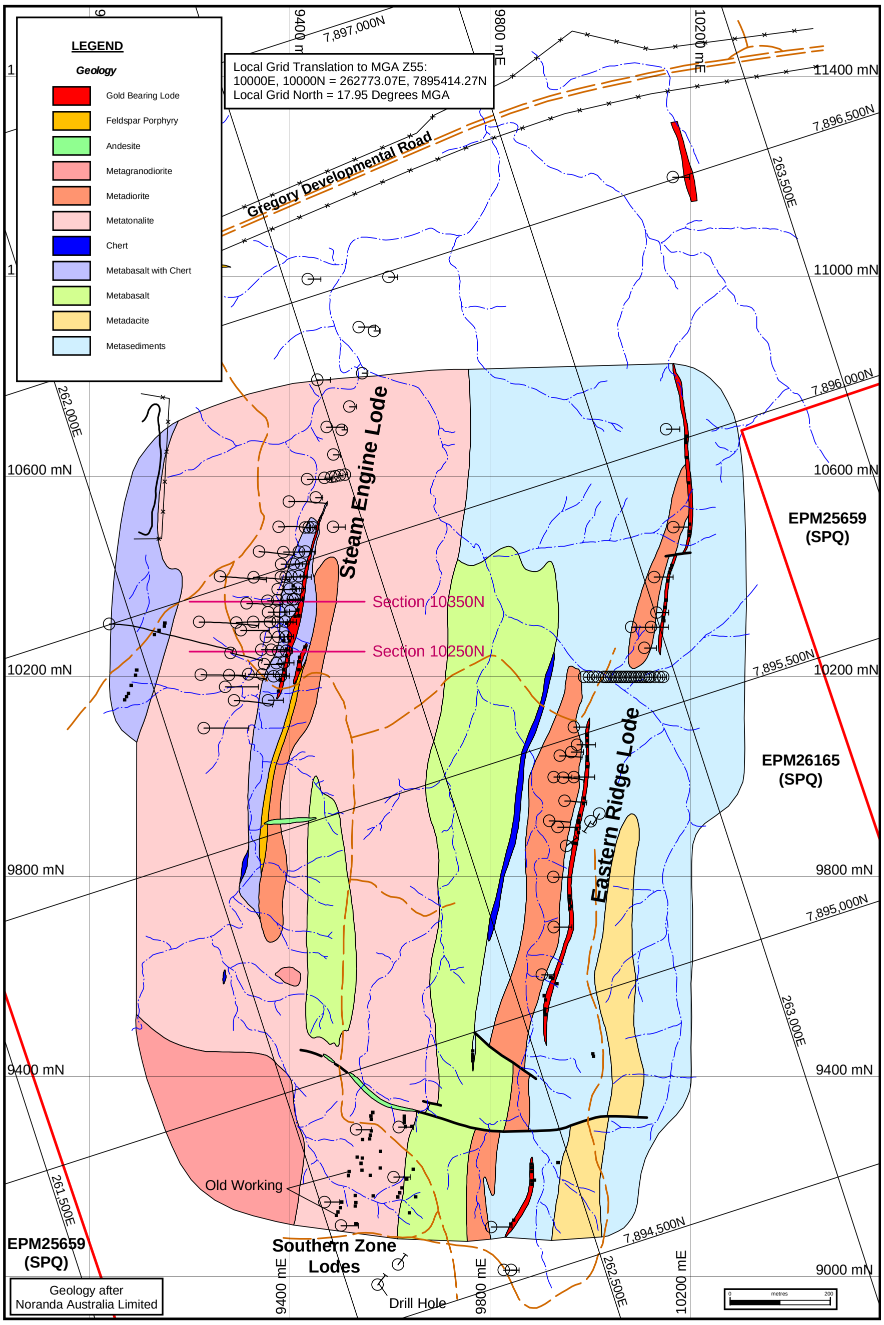



*Figure 22. Steam Engine Gold Deposit – Interpreted geology showing the gold-bearing lodes (in red), drill holes and soil gold geochemistry (over the Eastern Ridge Lode and Southern Zone).*

The lodes are north-north-east trending, west-dipping lodes and are essentially mineralised shear zones comprising pyrite-quartz-muscovite-carbonate schist within amphibolite, metasediment and/or metatonalite. An area of gold mineralisation comprising multiple lodes (Southern Zone) is located between and to the south of these two lodes.

### ❖ *Maiden JORC Inferred Mineral Resource Estimate – Steam Engine Lode*

Based on the Company's RC drilling during July 2017 and historical drill holes, a maiden inferred mineral resource estimate was developed on an approximate 400m section of the Steam Engine Lode:

- 1.0Mt @ 2.5g/t gold (1.0 g/t cut-off) for a total of 85,000 ounces gold (Inferred)

### ❖ *2017 drilling of Steam Engine Lode and Eastern Ridge Lode*

Six RC holes totalling 510 metres were drilled at the Steam Engine Gold Project. Each of the holes intersected gold mineralisation. The successful drilling program extends the mineralised envelope along strike and at depth at the Steam Engine Lode and extends the depth extent of a portion of the Eastern Ridge Lode.

At the ***Steam Engine Lode***, two holes were drilled to the north of the main area of historical resource drilling. There is good potential for additional gold resources on the Steam Engine Lode to the north of the area of detailed drilling (Figure 23). Summary results of the drilling at the Steam Engine Lode are set out in Table 1.

**Table 1.** Gold intersections from the 2017 drilling of the Steam Engine Lode

| Hole Name | From (m) | To (m) | Length (m) | Gold (g/t Au) |
|---|---|---|---|---|
| **SSERC005** | 70 | 72 | **2** | **1.90** |
| **SSERC006** | 66 | 68 | **2** | **2.79** |
| **SSERC006** | 90 | 94 | **4** | **2.34** |
| *# Drill hole intersections have been calculated using a cut-off of 1g/t with no included material below the cut-off. True widths of intersections are approximately 0.9 times the intersection lengths shown in the table.* | | | | |

At the ***Eastern Ridge Lode***, four shallow holes were drilled in a part of the lode where earlier historical drilling had shown the best gold results (Figure 24). All four holes intersected the Eastern Ridge Lode structure. Summary results of the drilling at the Eastern Ridge Lode are set out in Table 2.

The strong results from the Eastern Ridge Lode confirm the potential to extend the lode at depth and also the possibility of delineating multiple parallel mineralised lodes. Multiple zones of mineralisation were intersected in two of the four holes drilled at the Eastern Ridge Lode.

**Table 2.** Gold intersections from the recent drilling of the Eastern Ridge Lode.

| Hole Name | From (m) | To (m) | Length (m) | Gold (g/t Au) |
|---|---|---|---|---|
| **SSERC001** | 10 | 12 | **2** | **2.24** |
| **SSERC001** | 16 | 18 | **2** | **2.14** |
| **SSERC001*** | 45 | 48 | **3** | **3.09** |
| **SSERC002*** | 33 | 34 | **1** | **5.28** |
| **SSERC003** | 36 | 40 | **4** | **2.47** |
| **SSERC003*** | 54 | 56 | **2** | **4.73** |
| **SSERC004** | 42 | 43 | **1** | **4.67** |
| **SSERC004*** | 50 | 53 | **3** | **3.81** |

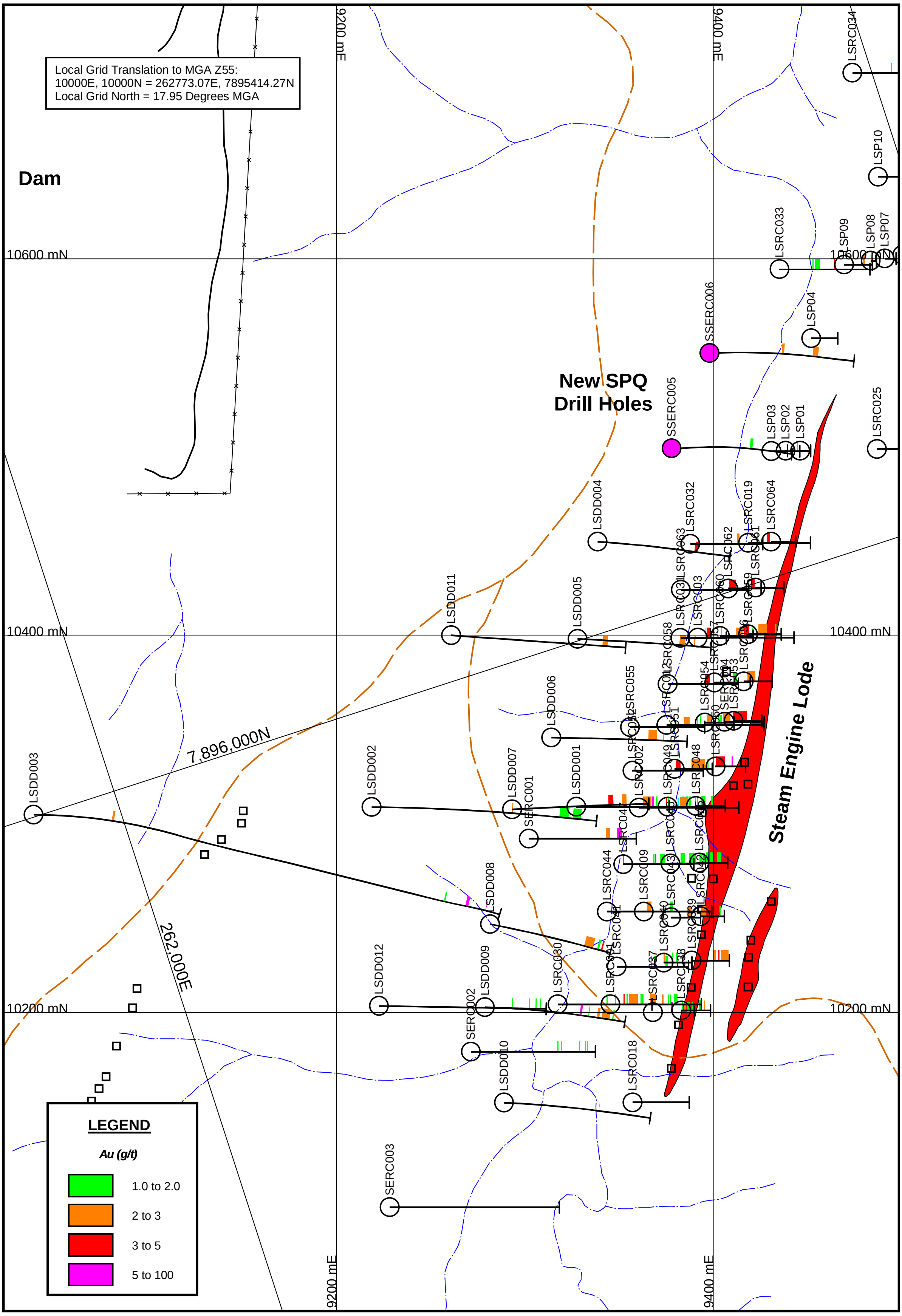



*Figure 23. Steam Engine Lode – Gold bearing lodes and drill holes.*

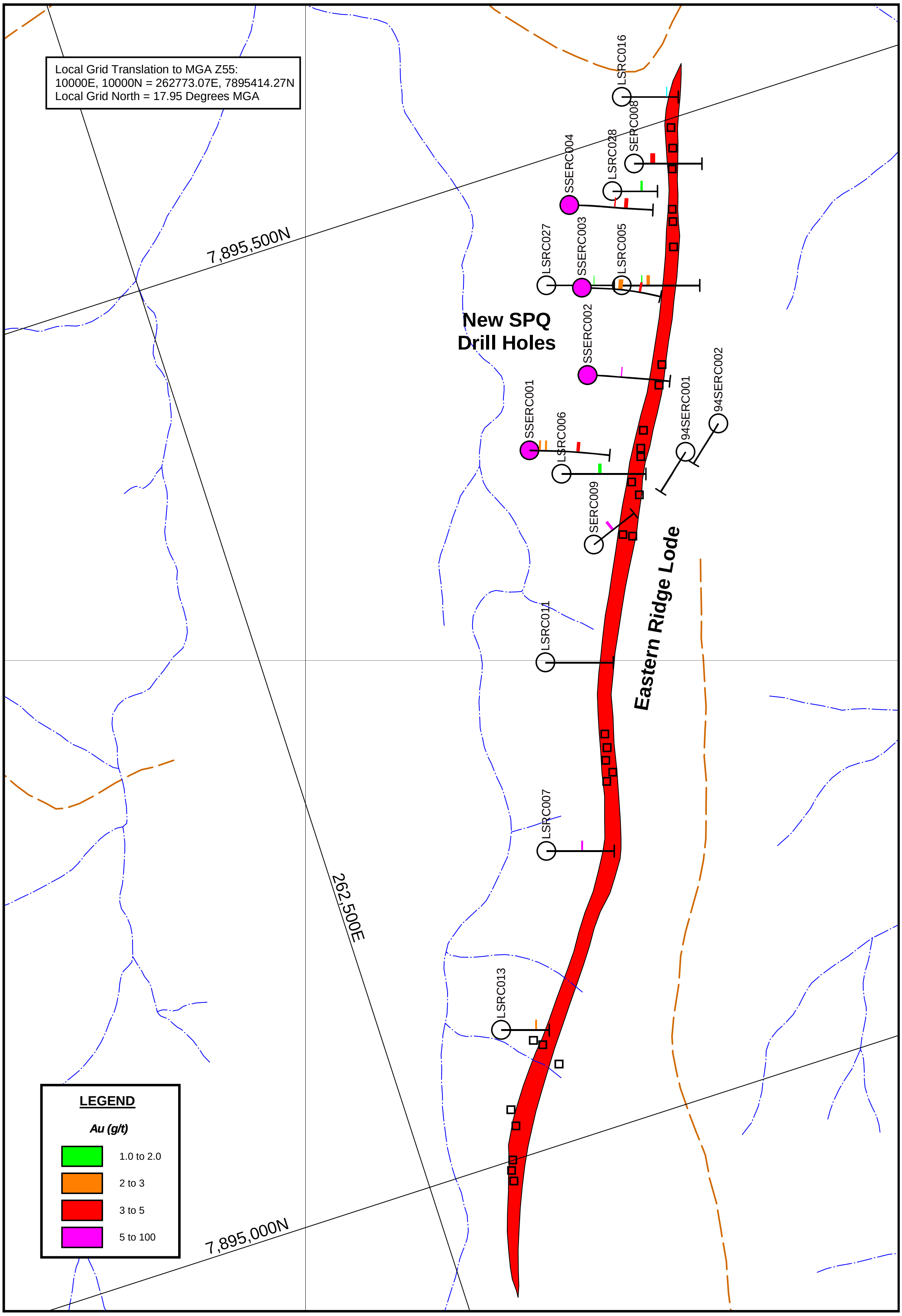



*Figure 24. Part of the Eastern Ridge Lode showing historic drill holes and recent Superior drill holes.*

# Cockie Creek

COPPER-GOLD

COCKIE CREEK IS A LARGE POTENTIAL PORPHYRY COPPER-GOLD MINERALISED SYSTEM THAT EXTENDS FOR OVER 1.2 KILOMETRES.



At Cockie Creek, disseminated copper mineralisation with some gold and molybdenum occurs associated with a quartz-biotite-hornblende schist unit enclosed within a metamorphosed basic volcanics sequence. The quartz- biotite-hornblende schist unit is interpreted as a metamorphosed altered tonalite intrusive unit. The copper mineralisation, with a true width up to 60 metres, extends over 1.2 kilometres and dips grid easterly at -80° (Figure 25).

Historical drilling comprises a total of 63 drill holes for 6,638 metres. Selected drill hole intersections are shown in Table 3.

***Table 3: Cockie Creek - Selected Drill Hole Intersections.***

| Hole | EastMGA | NorthMGA | From (m) | To (m) | Length (m) | Cu (%) | Au (g/t) | Mo (ppm) |
|---|---|---|---|---|---|---|---|---|
| CRC002 | 267380 | 7904295 | 0 | 68 | 68 | 0.74 | 0.12 | 92 |
| CRC009 | 267356 | 7904243 | 66 | 163 | 97 | 0.48 | 0.07 | 114 |
| CRC010 | 267353 | 7904283 | 11 | 85 | 74 | 0.42 | 0.08 | 78 |
| CRC011 | 267320 | 7904295 | 1 | 80 | 79 | 0.45 | 0.06 | 76 |
| CRC014 | 267019 | 7904155 | 15 | 56 | 41 | 0.50 | 0.10 | 48 |
| CRC017 | 267378 | 7904226 | 121 | 215 | 94 | 0.53 | 0.08 | 99 |
| CRC023 | 267037 | 7904120 | 53 | 141 | 88 | 0.43 | 0.06 | 49 |
| CRC026 | 266995 | 7904137 | 11 | 84 | 73 | 0.44 | 0.05 | 22 |
| D1 | 267448 | 7904183 | 180 | 216 | 36 | 0.57 | 0.10 | 28 |
| D3 | 267075 | 7904227 | 56 | 104 | 48 | 0.48 | 0.10 | 94 |
| P11 | 267403 | 7904244 | 50 | 108 | 58 | 0.64 | 0.07 | - |
| P12 | 267339 | 7904345 | 50 | 100 | 50 | 0.44 | 0.07 | - |
| P16 | 267370 | 7904307 | 0 | 40 | 40 | 0.75 | 0.13 | - |

### ❖ *JORC 2004 Inferred Mineral Resource Estimate*

A resource estimation in accordance with the 2004 JORC Code and based on historical drilling was developed for global inferred resources down to an RL of 300 metres (approximately 250m depth):

- 13Mt @ 0.42% copper.

Insufficient assay data exists for reliable estimations of gold and molybdenum to be made.

Also of interest is an intersection of 3m @ 9.0 g/t Au between 80 and 83m in drill hole CRC003(B03) drilled through the central zone of copper mineralisation.

### ❖ *Geophysical modelling*

Superior completed three-dimensional (3D) computer modelling of existing IP geophysical survey data. The modelling produced at least two pronounced chargeable sources located beneath shallower disseminated copper mineralisation and also indicated potential for the existence of a large porphyry copper mineralised system beneath the near-surface mineralisation (Figures 26 and 27).

As a result, the modelling has opened up the potential of the Cockie Creek area to host a significant porphyry copper deposit.

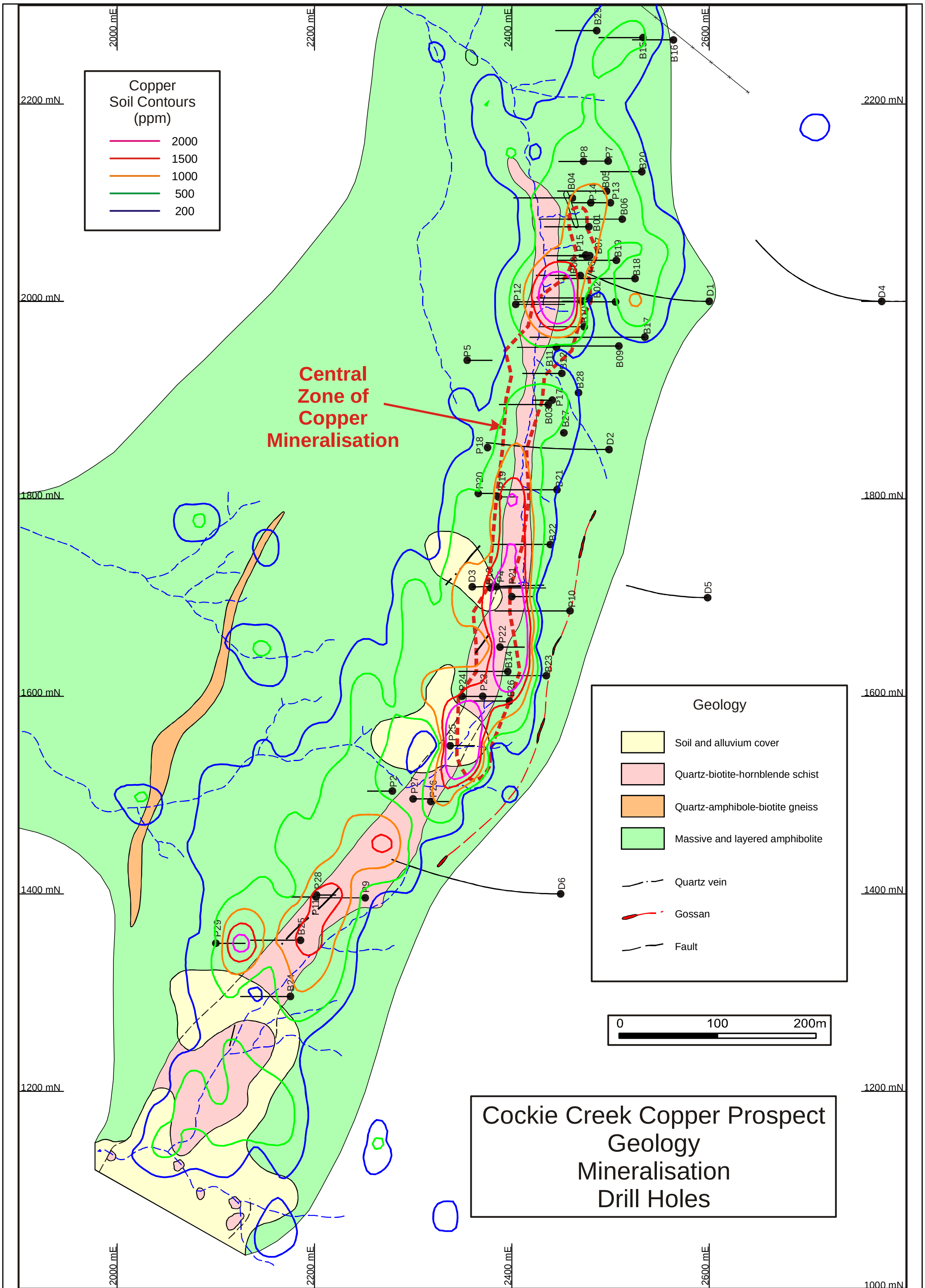



*Figure 25. Cockie Creek Copper Prospect - Geology showing all drill holes, soil copper geochemistry and the Central Zone of Copper Mineralisation.*

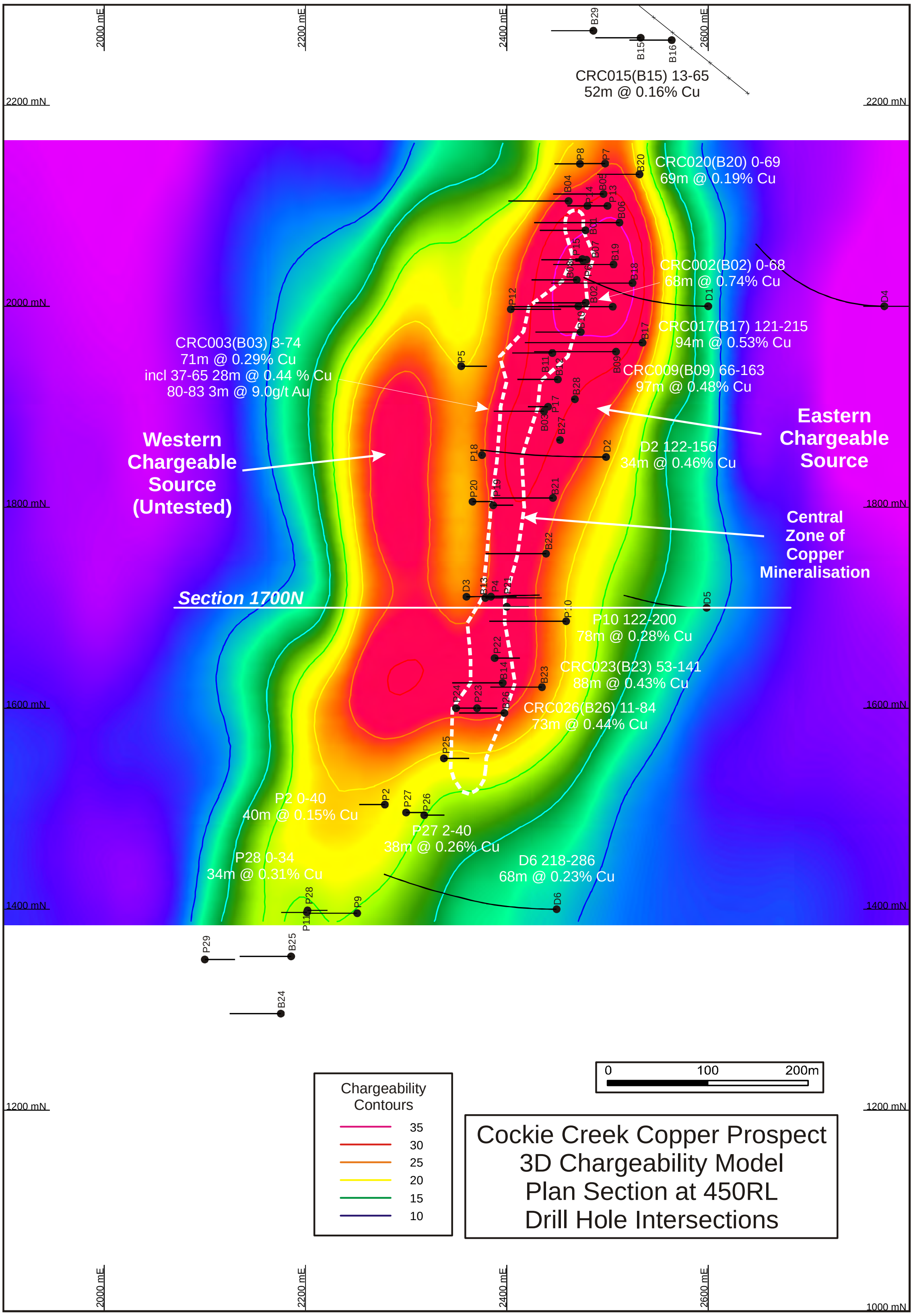



*Figure 26. Cockie Creek Copper Prospect – Plan section of 3D chargeability model at 450RL (100m below surface) showing the main mineralised area on the eastern side and the new untested chargeable source on the western side. The selected drill hole copper intersections shown indicate the spread of the copper mineralisation.*

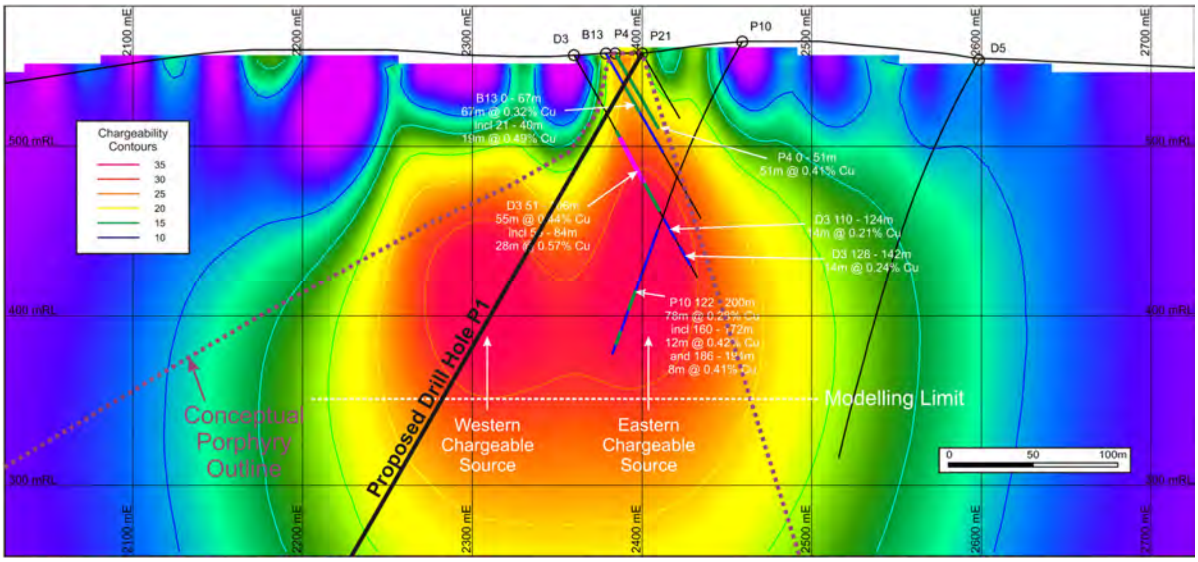



*Figure 27. Cockie Creek Copper Prospect – Vertical cross section through the 3D chargeability model at 1700N showing the main mineralised area with drill hole copper intersections on the eastern side and the new untested chargeable source on the western side. Proposed drill hole 1 is also shown.*

**SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)**

# CORPORATE REVIEW



## Company Background

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

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

In northwest Queensland, exploration for Mount Isa style deposits over the last six years has resulted in Superior holding a first-class portfolio of properties for these deposits. Superior has an expanding portfolio of volcanogenic massive sulphide, porphyry copper-gold and gold properties in the Greenvale area of north eastern Queensland with inferred resources defined for two properties.

## Corporate Philosophy

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

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

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

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

Drilling is an essential part of Superior's exploration programs with drill testing of conceptual targets being part of the search for Mount Isa style deposits and drilling around and beneath existing mineralisation part of the search for gold and copper-gold deposits.

Superior continues to utilise experienced explorers in its exploration as they offer the best chance for discovery of resources.

Your Directors present their report on the consolidated entity (referred to in this Report as the **Group**) consisting of Superior Resources Limited and the entities it controlled during the year ended 30 June 2019.

## SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

## DIRECTORS' REPORT

### DIRECTORS

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

| | |
|---|---|
| P H Hwang | (Managing Director) |
| C A Fernicola | (Chairman and Company Secretary) |
| K J Harvey | (Non-executive Director) |

### PRINCIPAL ACTIVITIES

During the year the principal activity of the Group was exploration for base metals, copper-gold and nickel-cobalt deposits in northern Queensland, Australia. There were no significant changes in the nature of the company's activities during the year and no significant changes in activity are anticipated.

### DIVIDENDS

There were no dividends paid to members during the financial year.

### REVIEW OF OPERATIONS

The loss after tax for the year was $549,373 (2018: loss of $485,087).

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

- **Nicholson Project** (zinc-lead-silver)
    - the Company entered into an earn-in and joint venture agreement with South32 Group Operations Pty Ltd on 28 May 2019;
    - the Company as the operator, commenced exploration operations in accordance with South32's first stage of commitments under the earn-in and joint venture agreement;
- **Greenvale Project** (VMS and porphyry copper, gold and nickel-cobalt)
    - a two-hole deep diamond drilling program totalling 1,102 metres was completed during August 2018;
    - high grade copper mineralisation intersected in SBTRD006 of **18.7m @ 1.12% copper (328.0m to 346.7m)** was returned from assay results. A broad zone of copper mineralisation intersected in SBTRD006 totalling **292m @ 0.22% copper (148.0m to 440.0m)**;
    - new tenement EPM26751 ("Twelve Mile Creek"), was granted on 28 May 2019 as an addition to the Greenvale Project;
- **Victor Project** (zinc-lead-silver)
    - new tenement EPM26720 ("Victor Extended"), was granted;
- **Corporate – Commercial**
    - the Company entered into a binding Heads of Agreement to sell its interest in the Tick Hill Gold Project to Berkut Minerals Limited;
    - the sale transaction completed on 24 April 2019 with the Company receiving the following consideration (excluding GST):
        - 2,403,846 fully paid ordinary shares in Berkut Minerals Limited (name changed to Carnaby Resources Limited) at a deemed value of $0.078 per share; and
        - $33,911.20 cash consideration for project holding costs.

**REVIEW OF OPERATIONS – (continued)**

**NORTH WEST QUEENSLAND – NICHOLSON PROJECT**

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

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

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

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

**CORPORATE and COMMERCIAL**

**TICK HILL GOLD PROJECT**

On 11 March 2019 the Company entered into a binding Heads of Agreement (**HOA**) with Carnaby Resources Limited (formerly as Berkut Minerals Limited (**BMT**)) for the sale of the Company's interest in the Tick Hill Gold Project.

Under the HOA, subject to satisfaction of conditions precedent, the Company agreed to the sale of its interest in the Exploration Farm-in and Joint Venture Agreement between the Company and Diatreme Resources Limited (**JVA**). The Company's interest in the project comprised a right to earn a 50% interest in the project and a 50% equitable interest in the "surface gold" (as that term is defined under the JVA). The sale interest under the HOA was agreed between the Company and Diatreme to be a 25% beneficial interest in the Tick Hill Gold Project.

The sale transaction completed on 24 April 2019 with the Company receiving the following consideration (excluding GST):

- 2,403,846 fully paid ordinary shares in Berkut Minerals Limited at a deemed value of $0.078 per share; and

- $33,911.20 cash consideration for project holding costs.

Subsequent to completion of the transaction, BMT changed its name to Carnaby Resources Limited (**CNB**). The minimum ASX-traded price of CNB shares on 12 March 2019 was $0.092 and $0.135 on 28 June 2019.

The CNB shares are not subject to any period of escrow.

**CASH CONSERVATION**

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

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

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

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Subsequent to balance date, the Group has raised $494,000 through the issue of 61,750,000 shares at value of $0.008 per share, which includes $35,000 from the Directors which will be subject to shareholders approval at the Annual General Meeting. 57,375,000 shares were issued on 15 August 2019.

Apart from the above, there are no matters or circumstances that have arisen since 30 June 2019 that have significantly affected, or may significantly affect:

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

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS FROM OPERATIONS**

Results from exploration are difficult to predict in advance so expected results are uncertain.

**ENVIRONMENTAL REGULATION**

The Group's operations are subject to significant environmental regulation under the laws of the commonwealth and state.

**INFORMATION ON DIRECTORS**

**Peter Henry Hwang B.Sc(Hons), LLB, MAIG, MGSA, MQLS** *Managing director.* Age 50
***Experience and expertise***
Originally a gold, base metals and diamond exploration geologist, Mr Hwang worked as a solicitor for 18 years in national and Queensland law firms specialising in resources, commercial and native title law. He has extensive experience in advising on the development of mining and major infrastructure projects as well as resource mergers and acquisitions. Mr Hwang is a member of the Australian Government Attorney-General's Department Native Title Practitioner's Panel and previously a member of the Government of Western Australia Native Title Taskforce on Mineral Tenement and Land Title Applications.

***Other current directorships***
None.

***Former directorships in last 3 years***
None.

***Special responsibilities***
Managing Director.

***Interests in shares and options***
35,097,467 ordinary shares in Superior Resources Limited.
3,332,246 options over unissued ordinary shares in Superior Resources Limited.

**INFORMATION ON DIRECTORS (continued)**

**Carlos Alberto Fernicola B.Com, FCA, F Fin FCIS FGIA** *Chairman.* Age 57
Graduate Diploma Advanced Accounting, Graduate Diploma Applied Finance and Investments, Graduate Diploma Corporate Governance and Graduate Certificate Financial Planning.

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

***Other current directorships***
None.

***Former directorships in last 3 years***
None.

***Special responsibilities***
Chairman and Company Secretary.
Member of the Audit Committee.

***Interests in shares and options***
35,624,999 ordinary shares in Superior Resources Limited.
3,562,499 options over unissued ordinary shares in Superior Resources Limited.

**Kenneth James Harvey M.Sc, MAIG, MSEG, MGSA.** *Non-executive Director.* Age 74
***Experience and expertise***
Mr Harvey has 49 years experience in mineral exploration, project evaluation, resource estimation and exploration management.

***Other current directorships***
None.

***Former directorships in last 3 years***
None.

***Special responsibilities***
Member of the Audit Committee.

***Interests in shares and options***
31,193,040 ordinary shares in Superior Resources Limited.
3,119,304 options over unissued ordinary shares in Superior Resources Limited.

**Company Secretary**

The Company Secretary is Mr Carlos Alberto Fernicola B.Com, FCA, FFin FCIS FGIA. Graduate Diploma Advanced Accounting, Graduate Diploma Applied Finance and Investments, Graduate Diploma Corporate Governance and Graduate Certificate Financial Planning. Mr Fernicola was appointed to the position of Company Secretary on 11 November 2010.

## MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of Directors held during the year ended 30 June 2019, and the numbers of meetings attended by each director were:

Board

| *Director* | *Meetings Eligible to attend* | *Meetings attended* |
|---|---|---|
| PH Hwang | 4 | 4 |
| CA Fernicola | 4 | 4 |
| KJ Harvey | 4 | 4 |

Audit Committee

| *Director* | *Meetings eligible to attend* | *Meetings attended* |
|---|---|---|
| CA Fernicola | 2 | 2 |
| KJ Harvey | 2 | 2 |

**REMUNERATION REPORT (AUDITED)**

The Directors are pleased to present your Group's 2019 remuneration report which sets out remuneration information for Superior Resources Limited's non-executive directors, executive directors, and other key management personnel.

The report contains the following sections:

(a) Directors and key management personnel disclosed in this report
(b) Remuneration governance
(c) Use of remuneration consultants
(d) Executive remuneration policy and framework
(e) Relationship between remuneration and Superior Resources Limited's performance
(f) Non-executive director remuneration policy
(g) Voting and comments made at the company's 2018 Annual General Meeting
(h) Details of remuneration
(i) Service agreements
(j) Details of share-based compensation and bonuses
(k) Equity instruments held by key management personnel
(l) Loans to key management personnel
(m) Other transactions with key management personnel

***(a) Directors and key management personnel disclosed in this report***

*Non-executive and executive directors (see pages 4 to 5 for details about each director)*
PH Hwang
CA Fernicola
KJ Harvey

*Other key management personnel*

| **Name** | **Position** |
|---|---|
| CA Fernicola | Company Secretary |

***(b) Remuneration governance***

The board is responsible for:
- the over-arching executive remuneration framework
- operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles
- remuneration levels of executive directors and other key management personnel, and
- non-executive directors fees

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

***(c) Use of remuneration consultants***

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

**REMUNERATION REPORT (AUDITED) (continued)**

***(d) Executive remuneration policy and framework***

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

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

*Long-term incentives*

Long-term incentives are provided to executive directors by obtaining approval at a general meeting of shareholders. Any issue of options to executive directors is designed to focus executives on delivering long-term shareholder returns.

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

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

***(f) Non-executive director remuneration policy***

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

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

***(g) Voting and comments made at the company's 2018 Annual General Meeting***

The 2018 remuneration report was passed by a show of hands and had less than 25% proxy votes cast against it. The company did not receive any feedback at the AGM or throughout the year on its remuneration practices.

***(h) Details of remuneration***

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

**REMUNERATION REPORT (AUDITED) (continued)**

| **2019** | **Short-term benefits** | **Post-employment benefits** | **Share-based payments** | |
|---|---|---|---|---|
| **Name** | **Cash salary and fees $** | **Superannuation $** | **Options $** | **Total $** |
| *Non-executive directors* | | | | |
| CA Fernicola | 24,000 | - | - | 24,000 |
| KJ Harvey | 35,616 | 3,384 | - | 39,000 |
| *Other key management personnel* | | | | |
| CA Fernicola (Company Secretary) | 24,000 | - | - | 24,000 |
| Sub-total non-executive directors and other key management personnel | 83,616 | 3,384 | - | 87,000 |
| *Executive directors* | | | | |
| PH Hwang - Managing Director | 211,000 | 20,045 | - | 231,045 |
| **Totals** | **294,616** | **23,429** | **-** | **318,045** |

| **2018** | **Short-term benefits** | **Post-employment benefits** | **Share-based payments** | |
|---|---|---|---|---|
| **Name** | **Cash salary and fees $** | **Superannuation $** | **Options $** | **Total $** |
| *Non-executive directors* | | | | |
| CA Fernicola | 24,000 | - | - | 24,000 |
| KJ Harvey | 39,726 | 3,774 | - | 43,500 |
| *Other key management personnel* | | | | |
| CA Fernicola (Company Secretary) | 24,000 | - | - | 24,000 |
| Sub-total non-executive directors and other key management personnel | 87,726 | 3,774 | - | 91,500 |
| *Executive directors* | | | | |
| PH Hwang - Managing Director | 211,000 | 20,045 | - | 231,045 |
| **Totals** | **298,726** | **23,819** | **-** | **322,545** |

**REMUNERATION REPORT (AUDITED) (continued)**

***(i) Service agreements***

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

PH Hwang, *Managing Director*

- Term of employment agreement – indefinite commencing 22 April 2013.
- Base salary, inclusive of superannuation, for the year ended 30 June 2019 of $231,045, to be reviewed at least annually by the Board.
- Payment of a termination benefit on early termination by the company, other than for gross misconduct, equal to six months remuneration.
- Agreement may be terminated by employee giving six months' notice in writing.

***(j) Details of share based compensation and bonuses***

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

***(k) Equity instruments held by key management personnel***

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

***Ordinary Shares***

| *Name* | *Balance at the start of the year* | *Received on exercising options* | *Net purchased / (sold)* | *Other changes* | *Balance at the end of the year* |
|---|---|---|---|---|---|
| ***Directors of Superior Resources Limited*** | | | | | |
| PH Hwang | 35,097,467 | - | - | - | 35,097,467 |
| CA Fernicola | 35,624,999 | - | - | - | 35,624,999 |
| KJ Harvey | 31,193,040 | - | - | - | 31,193,040 |

***Options Over Unissued Ordinary Shares***

| *Name* | *Balance at the start of the year* | *Options Exercised* | *Net purchased / (sold)* | *Other changes* | *Balance at the end of the year* |
|---|---|---|---|---|---|
| ***Directors of Superior Resources Limited*** | | | | | |
| PH Hwang | 7,759,746 | - | - | (4,427,500) | 3,332,246 |
| CA Fernicola | 7,312,499 | - | - | (3,750,000) | 3,562,499 |
| KJ Harvey | 3,119,304 | - | - | - | 3,119,304 |

*All options are vested and exercisable.*

***(l) Loans to key management personnel***

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

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

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

*End of Remuneration Report*

**SHARES UNDER OPTION**

During the year, 10,000,000 options were issued to the lead manager to the share placement and right issue undertaken in January to March 2018. These options expired on 31 August 2019.

There were no options outstanding at the date of this report.

During the year ended 30 June 2019, and since year end, there were no shares issued on the exercise of options granted.

**INSURANCE OF OFFICERS**

During the financial year the Group paid a premium of $27,250 to insure the Directors and Secretary of the company.

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

**PROCEEDINGS ON BEHALF OF THE COMPANY**

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

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

**NON-AUDIT SERVICES**

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

Details of amounts paid or payable to the auditor for audit and non-audit services provided during the year are outlined in Note 25 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

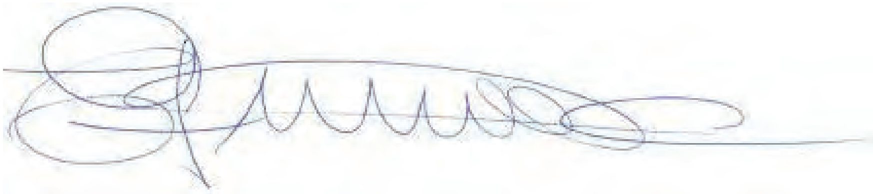
**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

**AUDITOR**

PKF Brisbane Audit continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of Directors.



CA Fernicola
Chairman

Brisbane, 26th day of September 2019

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

DATED THIS 26TH DAY OF SEPTEMBER 2019
BRISBANE

## CORPORATE GOVERNANCE



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

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

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

## CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2019

| | Note | 2019<br>$ | 2018<br>$ |
|---|---|---|---|
| Other income | 8 | 712 | 678 |
| Accounting and audit fees | | (42,980) | (36,353) |
| Administration expenses | | (293,886) | (385,543) |
| Depreciation and amortisation | | (3,469) | (3,422) |
| Impairment of exploration expenditure | 14 | - | (22,939) |
| Loss on disposal of Tick Hill tenement | 14 | (226,282) | - |
| Office rent and outgoings | | (14,076) | (14,150) |
| Tenement expenditure written off | 14 | (10,377) | (29,133) |
| Loss before income tax | | (590,358) | (490,862) |
| Income tax (expense) / benefit | 9 | 40,985 | 5,775 |
| **Loss after tax for the year from continuing operations attributable to owners of Superior Resources Limited** | | (549,373) | (485,087) |
| | | **Cents** | **Cents** |
| **Earnings (loss) per share** | | | |
| Basic earnings (loss) per share | 30 | (0.08) | (0.08) |
| Diluted earnings (loss) per share | 30 | (0.08) | (0.08) |

The accompanying notes form part of these financial statements.

**SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)**

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## AS AT 30 JUNE 2019

| | Note | 2019<br>$ | 2018<br>$ |
|---|---|---|---|
| **Loss for the year from continuing operations attributable to owners of Superior Resources Limited** | | (549,373) | (485,087) |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Fair value gains on financial assets at fair value through other comprehensive income, net of tax | | 135,112 | 15,225 |
| Other comprehensive income for the year, net of tax | | 135,112 | 15,225 |
| **Total comprehensive income/(loss) for the year, net of tax, attributable to owners of Superior Resources Limited** | | (414,261) | (469,862) |

The accompanying notes form part of these financial statements.

## SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2019



| | Note | 2019<br>$ | 2018<br>$<br>Restated |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 10 | 103,745 | 886,368 |
| Trade and other receivables | 11 | 85,802 | 89,529 |
| Financial assets | 12 | 17,929 | 119,000 |
| Assets classified as held for sale | 14 | - | 375,000 |
| **Total Current Assets** | | 207,476 | 1,469,897 |
| **Non-Current Assets** | | | |
| Financial assets | 12 | 1,280,393 | - |
| Plant and equipment | 13 | 9,330 | 12,482 |
| Exploration expenditure | 14 | 4,427,456 | 3,588,615 |
| Other | 16 | 28,500 | 28,000 |
| **Total Non-Current Assets** | | 5,745,679 | 3,629,097 |
| **Total Assets** | | 5,953,155 | 5,098,994 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Payables | 17 | 586,842 | 318,420 |
| **Total Current Liabilities** | | 586,842 | 318,420 |
| **Non-Current Liabilities** | | | |
| Payables | 17 | 44,666 | 44,666 |
| Liabilities for restrictions over assets | 22 | 1,000,000 | - |
| **Total Non-Current Liabilities** | | 1,044,666 | 44,666 |
| **Total Liabilities** | | 1,631,508 | 363,086 |
| **Net Assets** | | 4,321,647 | 4,735,908 |
| **Equity** | | | |
| Contributed equity | 19 | 10,975,213 | 10,975,213 |
| Reserves | 20 | (3,095,913) | (3,231,025) |
| Accumulated losses | 21 | (3,557,653) | (3,008,280) |
| **Total Equity** | | 4,321,647 | 4,735,908 |

The accompanying notes form part of these financial statements.

## SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2019



| | Issued capital $ | Reserves $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|
| **Balance at 1 July 2017** | 9,031,677 | 50,750 | (5,820,193) | 3,262,234 |
| Loss for the year | - | - | (485,087) | (485,087) |
| Other comprehensive income / (loss) | | 15,225 | - | 15,225 |
| **Total comprehensive income for the year** | **-** | **15,225** | **(485,087)** | **(469,862)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Contributions of equity, net of transaction costs | 1,943,536 | - | - | 1,943,536 |
| **Balance at 30 June 2018 (previously reported)** | 10,975,213 | 65,975 | (6,305,280) | 4,735,908 |
| Retrospective adjustment upon change in accounting policy (AASB 9) (Note 3a) | - | (3,297,000) | 3,297,000 | - |
| **Balance at 30 June 2018 (restated)** | **10,975,213** | **(3,231,025)** | **(3,008,280)** | **4,735,908** |
| Loss for the year | - | - | (549,373) | (549,373) |
| Other comprehensive income / (loss) | - | 135,112 | - | 135,112 |
| **Total comprehensive income for the year** | 10,975,213 | 135,112 | (549,373) | (414,261) |
| **Transactions with owners in their capacity as owners:** | | | | |
| Contributions of equity, net of transaction costs | - | - | - | - |
| **Balance at 30 June 2019** | **10,975,213** | **(3,095,913)** | **(3,557,653)** | **4,321,647** |

The accompanying notes form part of these financial statements

**SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)**

## CONSOLIDATED STATEMENT OF CASHFLOWS
## FOR THE YEAR ENDED 30 JUNE 2019

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (GST inclusive) | | 29,878 | 40,373 |
| Payments to suppliers and employees (GST inclusive) | | (173,209) | (550,945) |
| Interest received | | 401 | 678 |
| **Net cash inflow (outflow) from operating activities** | 29 | (142,930) | (509,894) |
| **Cash flows from investing activities** | | | |
| Payments for exploration expenditure | | (800,918) | (825,994) |
| Proceeds of disposal of investments | | 162,042 | - |
| Proceeds of disposal of plant and equipment | | 1,888 | - |
| Payments for plant and equipment | | (2,205) | (2,880) |
| Refunds (payments) of security deposits | | (500) | (500) |
| **Net cash inflow (outflow) from investing activities** | | (639,693) | (829,374) |
| **Cash flows from financing activities** | | | |
| Proceeds on issue of shares | | - | 1,864,198 |
| Payment of capital raising costs | | - | (83,569) |
| **Net cash inflow (outflow) from financing activities** | | - | 1,780,629 |
| Net increase (decrease) in cash held | | (782,623) | 441,361 |
| Cash at beginning of financial year | | 886,368 | 445,007 |
| **Cash at the end of financial year** | 10 | 103,745 | 886,368 |

**Restricted cash**

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

## 1. General Information

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

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

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

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

## 2. Significant Accounting Policies

### (a) Statement of compliance

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

The financial statements were authorised for issue by the Directors on 26th September 2019.

### (b) Basis of preparation

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

### (c) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Parent (Superior Resources Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries or controlled operations is provided in Note 31b.

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

**2. Significant Accounting Policies (continued)**

**(c) Principles of consolidation (continued)**

The acquisition method of accounting is used to account for business combination by the Group (refer to Note 2(o)).

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and statement of comprehensive income, statement of changes in equity and balance sheet respectively.

**(d) Revenue recognition**

No impact is shown for AASB 15 as the directors, after applying the five-step model per AASB 15, assessed that there is no material difference in the result of the Group between applying AASB 118 and AASB 15.

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

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

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

**(e) Income Tax**

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

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

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

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

**2. Significant Accounting Policies (continued)**

**(e) Income Tax (continued)**

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

**(f) Cash and cash equivalents**

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

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

**(g) Financial instruments**

**Initial Recognition and Measurement**

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

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

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

**Classification and Subsequent Measurement**

*Financial assets*

Financial assets are subsequently measured at:
- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit and loss.

Measurement is on the basis of the two primary criteria, being:
- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:
- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

**2. Significant Accounting Policies (continued)**

**(g) Financial instruments (continued)**

**Classification and Subsequent Measurement (continued)**

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

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

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

*Financial liabilities*

Financial liabilities are subsequently measured at:

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

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

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

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

*Equity instruments*

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

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

**Derecognition**

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

*Derecognition of financial liabilities*

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

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

**2. Significant Accounting Policies (continued)**

**(g) Financial instruments (continued)**

*Derecognition of financial assets*

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

**Derecognition (continued)**

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

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

**Impairment**

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

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

Loss allowance is not recognised for:

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

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

*Recognition of expected credit losses in financial statements*

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

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

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

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

**2. Significant Accounting Policies (continued)**

**(h) Plant and equipment**

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

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

Equipment / Software 3 – 5 years

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

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

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

**(i) Trade and other payables**

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

**(j) Exploration expenditure**

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

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

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

**(k) Contributed equity**

Ordinary shares are classified as equity.

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

**(l) Dividends**

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

**2. Significant Accounting Policies (continued)**

**(m) Earnings per share**

*(i) Basic earnings per share*

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

*(ii) Diluted earnings per share*

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

**(n) Goods and Services Tax (GST)**

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

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

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

**(o) Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

**2. Significant Accounting Policies (continued)**

**(p) Employee benefits**

*(i) Short-term obligations*

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

*(ii) Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

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

**(q) Parent entity financial information**

The financial information for the parent entity, Superior Resources Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements.

**(r) Comparative Figures**

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

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

**(s) Fair Value of Assets and Liabilities**

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

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

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

**2. Significant Accounting Policies (continued)**

**(s) Fair Value of Assets and Liabilities (continued)**

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

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

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

**(t) Non-current Assets Held for Sale**

Non-current assets are classified as held for sale and generally measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

Impairment losses are recognised for any initial or subsequent write-down of an asset classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

**(u) Impairment of Assets**

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

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

**2. Significant Accounting Policies (continued)**

**(u) Impairment of Assets (continued)**

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

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

**(v) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**3. New and Amended Accounting Standards**

**(a) New and Amended Accounting Policies Adopted by the Group**

The Group has implemented two new Accounting Standards that have come into effect, which is included in the results.

***Initial application of AASB 9: Financial Instruments***

The Group has adopted AASB 9: *Financial Instruments* with an initial application date of 1 July 2018. As a result, the Group has changed its financial instruments accounting policies. Refer to Note 2(g) for details.

Considering the initial application of AASB 9 during the financial period, financial statements line items have been affected for the current and prior periods. The following tables summarise the adjustments made to the affected financial statements line items.

| | As at 30 June 2018 | | |
|---|---|---|---|
| | Previously reported $ | AASB 9 adjustments $ | As restated $ |
| **Equity** | | | |
| Reserves | 65,975 | (3,297,000) | (3,231,025) |
| Accumulated losses | (6,305,280) | 3,297,000 | (3,008,280) |

### 3. New and Amended Accounting Standards

### (a) New and Amended Accounting Policies Adopted by the Group (continued)

AASB 9 requires retrospective application with some exceptions (ie when applying the effective interest method, impairment measurement requirements, and hedge accounting in terms of the Standard).

There were no financial assets/liabilities which the Group had previously designated as fair value through profit or loss under AASB 139 that were subject to reclassification/elected reclassification upon the application of AASB 9: *Financial Instruments*. There were no financial assets/liabilities which the Group has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

The Group has applied AASB 9: *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other Standards. New requirements have been introduced for the classification and measurement of financial assets and financial liabilities, as well as for impairment and general hedge accounting.

The date of initial application was 1 July 2018. The Group has applied AASB 9 to instruments that have not been derecognised as at 1 July 2018 and has not applied AASB 9 to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that have not been derecognised as at 1 July 2018 have been restated where appropriate.

Financial assets in terms of AASB 9 need to be measured subsequently at either amortised cost or fair value on the basis of the Group's business model and the cash flow characteristics of the financial assets:

- debt investments that are held within a business model whose goal is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose goal is both to collect contractual cash flows and to sell it, and that have contractual cash flows that are purely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income; and
- all other debt investments and equity investments are measured at fair value through profit or loss.

Despite the issues mentioned, the Group may make the following irrevocable elections at initial recognition of a financial asset:

- The Group may choose to present in other comprehensive income subsequent changes in the fair value of an equity investment that is not held for trading and is not a contingent consideration in a business combination.
- The Group may choose to present a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if this choice significantly reduces an accounting mismatch

When an equity investment at fair value through other comprehensive income has a gain or loss previously recognised in other comprehensive income, it is not reclassified to profit or loss. However, when a debt investment at fair value through other comprehensive income is derecognised, the gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

**3. New and Amended Accounting Standards (continued)**

**(a) New and Amended Accounting Policies Adopted by the Group (continued)**

The directors of the Group determined the existing financial assets as at 1 July 2018 based on the facts and circumstances that were present, and determined that the initial application of AASB 9 had the following effect:

– The Group's investments in equity instruments not held for trading that were previously classified as available-for-sale financial assets and were measured at fair value have been designated as at fair value through other comprehensive income. The movement in fair value on these equity instruments is accumulated in the financial assets reserve.
– Financial assets as held-to-maturity and loans and receivables that were measured at amortised cost continue to be measured at amortised cost under AASB 9, as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

*Impairment*
As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per the previous Standard applicable (AASB 139). To reflect changes in credit risk, this expected credit loss model requires the Group to account for expected credit loss since initial recognition

AASB 9 also determines that a loss allowance for expected credit loss be recognised on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts as the impairment provision would apply to them.

If the credit risk on a financial instrument has not shown significant change since initial recognition, an expected credit loss amount equal to 12-month expected credit loss is used. However, a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit-impaired financial asset.

A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

The Group reviewed and assessed the existing financial assets on 1 July 2018. The assessment was made to test the impairment of these financial assets using reasonable and supportable information that is available to determine the credit risk of the respective items at the date they were initially recognised, and to compare that to the credit risk as at 1 July 2017 and 1 July 2018. The assessment was performed without undue cost or effort, in accordance with AASB 9.

*Classification and measurement of financial liabilities*

AASB 9 determines that the measurement of financial liabilities and also the classification relate to changes in the fair value designated as at fair value through profit or loss attributable to changes in the credit risk.

AASB 9 further states that the movement in the fair value of financial liabilities that is attributable to changes in the credit risk of that liability needs to be shown in other comprehensive income, unless the effect of the recognition constitutes accounting mismatch in profit or loss. Changes in fair value in relation to the financial liability's credit risk are transferred to retained earnings when the financial liability is derecognised and not reclassified through profit or loss. AASB 139 requires the fair value amount of the change of the financial liability designated as at fair value through profit or loss to be presented in profit or loss.

The application of the AASB 9 hedge accounting requirements has had no impact on the results and financial position of the Group for the current year.

**3. New and Amended Accounting Standards (continued)**

**(a) New and Amended Accounting Policies Adopted by the Group (continued)**

***AASB 15: Revenue from Contracts with Customers***

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue and related interpretations. The consolidated entity has adopted AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for comparative periods has not been restated.

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

*(i)* *Financial impact on adoption*
Initial application of the new revenue standard had an immaterial impact on the opening balance of the consolidated entity in the current reporting period. As such, no adjustment was made to opening balances to account for the change in accounting policy.

*(ii)* *Changes in revenue recognition policy*
No impact is shown for AASB 15 as the directors, after applying the five-step model per AASB 15, assessed that there is no material difference in the result of the Group between applying AASB 118 and AASB 15.

*(i)* *Transition*
As the adoption of AASB 15 had an immaterial impact on financial information of the Group, changes in accounting policies were applied prospectively with no adjustments made to opening balances as at 1 July 2018.

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

**(b) Standards and Interpretations in issue not yet adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual report year ended 30 June 2019.

**AASB 16 Leases**

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.

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

Management has assessed the effects of applying the new standard and as the Company does not currently have any long-term leases, there will be no impact.

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

## 4. Financial risk management

The Group's overall risk management plan seeks to minimize potential adverse effects due to the unpredictability of financial markets.

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

The Group holds the following financial asset and liabilities:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 103,745 | 886,368 |
| Financial assets – restricted cash | 943,855 | - |
| Trade and other receivables | 85,802 | 89,529 |
| Available for sale financial assets | - | 119,000 |
| Financial assets at fair value through other comprehensive income | 354,467 | - |
| | 1,487,869 | 1,094,897 |
| **Financial liabilities** | | |
| Trade and other payables | 631,508 | 363,086 |
| | 631,508 | 363,086 |

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

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

### Credit risk

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

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognized financial assets is the carrying amount of those assets, net of any provision for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

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

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

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Cash at bank and short-term bank deposits | 103,745 | 886,368 |
| Financial assets – restricted cash | 943,855 | - |
| | **1,047,600** | **886,368** |

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

**4. Financial risk management (continued)**

**Liquidity risk**
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due. At the end of the reporting period the Group held deposits at call of $4 (2018: $4) that are expected to readily generate cash inflows for managing liquidity risk.

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

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

| Contractual maturities of financial liabilities | Less than 6 months | 6 – 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| **At 30 June 2019** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Trade and other payables | 541,626 | 45,216 | 44,666 | - | - | 631,508 | 631,508 |
| | 541,626 | 45,216 | 44,666 | - | - | 631,508 | 631,508 |
| **At 30 June 2018** | | | | | | | |
| Trade and other payables | 283,876 | 34,544 | 44,666 | - | - | 363,086 | 363,086 |
| | 283,876 | 34,544 | 44,666 | - | - | 363,086 | 363,086 |

**Market risk**
The Group is exposed to equity securities price risk. This arises from investments held by the Group in Deep Yellow Limited and Carnaby Resources Limited and classified on the statement of financial position as available-for-sale financial assets. The Group is not exposed to commodity price risk.

The table below summaries the impact of increases/decreases in the Deep Yellow Limited and Carnaby Resources Limited share price on the Group's total comprehensive income / (loss) for the year and on equity. The analysis is based on the assumption that the share price had increased/decreased by 25% (2018: 25%) from balance date fair value with all other variables held constant.

| | Impact on post-tax loss | | | | Impact on reserves | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 $ | | 2018 $ | | 2019 $ | | 2018 $ | |
| | +25% | -25% | +25% | -25% | +25% | -25% | +25% | -25% |
| Investment in Deep Yellow Limited | 1,233 | (1,233) | 8,181 | (8,181) | 3,250 | (3,250) | 21,569 | (21,569) |
| Investment in Carnaby Resources Limited | 23,137 | (23,137) | - | - | 60,998 | (60,998) | - | - |

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

**4. Financial risk management (continued)**

**Fair value measurements**

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

**5. Critical accounting estimates and judgements**

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

*Critical judgements in applying the entity's accounting policies*

The Group has capitalised non-current exploration expenditure of $4,427,456 (2018: $3,588,615). This amount includes costs directly associated with exploration. These costs are capitalised as an intangible asset until assessment and/or drilling of the permit is complete and the results have been evaluated. These costs include employee remuneration, materials, rig costs, delay rentals and payments to contractors. The expenditure is carried forward until such a time as the asset moves into the development phase, is abandoned or sold. Given exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable resources and the difficulty in forecasting cash flows to assess the fair value of exploration expenditure there is uncertainty as to the carrying value of exploration expenditure. The ultimate recovery of the carrying value of exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interest in the tenements.

*Joint arrangements*

The Group undertakes a number of business activities through legal agreements with other parties. In assessing the classification of these agreements for accounting purposes the Group must first assess whether it has gained control, joint control or significant influence in the agreement. A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. Judgement is required to determine when the Group has control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as: the approval the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel of, or service providers to, the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify a joint arrangement as either a joint operation or a joint venture. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a Joint Operation or a Joint Venture, may materially impact the accounting.

The Group has announced an Earn-in and Joint Venture Agreement with South32 Group Operations Pty Ltd which is structured through an unincorporated arrangement in accordance with the terms of the Joint Venture Agreement. In assessing the facts and circumstances relating to this arrangement the Group assessed that the arrangement is currently in the earn-in stage and as such the Joint Venture has not yet been formed. Therefore, the arrangement has been accounted for considering the individual rights and obligations of transactions that have occurred under the agreement. This has resulted in restricted assets and liabilities for restrictions over assets being recognised in accordance with policy Note 2(f) for the amounts shown in Note 12 and Note 22.

## 6. Going concern principle

Notwithstanding that the Group incurred an operating loss after tax of $549,373 (2018: loss of $485,087) these financial statements have been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of the consolidated entity to continue as a going concern is dependent upon one or more of the following:

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

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

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

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

## 7. Segment information

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

## 8. Other income

| | 2019 $ | 2018 $ |
|---|---|---|
| Interest | 401 | 678 |
| Insurance claim | 311 | - |
| | 712 | 678 |

## 9. Income tax

| | 2019 $ | 2018 $ |
|---|---|---|
| **(a) Numerical reconciliation of income tax expense / (benefit) to prima facie tax payable** | | |
| Loss from continuing operations before income tax expense | (590,358) | (490,862) |
| Tax at the Australian tax rate of 27.5% (2018: 27.5%) | (162,348) | (134,987) |
| Tax effect of non-deductible impairment loss | 26,963 | 6,308 |
| Recognition of deferred tax assets not previously recognised | - | (5,775) |
| Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised | 94,400 | 128,679 |
| Income tax expense / (benefit) | (40,985) | (5,775) |
| **(b) Tax adjustment relating to items of other comprehensive income** | | |
| Financial assets at fair value through other comprehensive income – fair value adjustment | (40,985) | (5,775) |
| **(c) Tax losses** | | |
| Unused tax losses for which no deferred tax asset has been recognised | 7,612,563 | 7,249,931 |
| Potential tax benefit at 27.5% (Note 15) | 2,093,455 | 1,993,731 |
| **(d) Franking credits** | | |
| Franking credits available for use in subsequent financial years based on a tax rate of 27.5% | 251,146 | 251,146 |

## 10. Cash and cash equivalents

| | 2019 $ | 2018 $ |
|---|---|---|
| Cash at bank and on hand | 103,745 | 886,368 |

## 11. Trade and other receivables

| | 2019 $ | 2018 $ |
|---|---|---|
| CURRENT | | |
| Other receivables | - | 25,604 |
| Prepayments | 85,802 | 63,925 |
| | 85,802 | 89,529 |

## 12. Financial assets

| | | |
|---|---|---|
| CURRENT | | |
| Deep Yellow Limited[1] | | |
| Investments in listed equity securities designed at fair value through other comprehensive income | 17,929 | 119,000 |
| NON-CURRENT | | |
| Carnaby Resources Limited[2] | | |
| Investments in listed equity securities designed at fair value through other comprehensive income | 336,538 | - |
| Restricted Cash – Prepaid contributions from earn-in participant[3] | 943,855 | - |
| | 1,280,393 | - |
| **Total financial assets** | 1,298,322 | 119,000 |

[1]During the year, the Group disposed 293,974 shares in Deep Yellow Limited for a total consideration of $128,129.

[2]During the year, the Group disposed of its interest in the Tick Hill Gold Project for a consideration of $221,411. Consideration paid to the Group comprises 2,403,843 ordinary shares at deemed value of $0.078 per share in Carnaby Resources Limited and cash reimbursement of $33,911.

[3]*Restricted Cash – Nicholson Project*
The Group has $943,855 (2018: nil) in restricted cash held as a result of its role as the Operator under the Earn-in and Joint Venture Agreement (JVA) with South32 Group Operations Pty Ltd (South32) on 28 May 2019 as described in Note 22.

In accordance with the first stage of commitment, South32 must sole-fund an initial $2 million or 4,000m of drilling within the first 12 months of operations. As at 30 June 2019, South32 had prepaid $1 million to the Company as the Operator under the JVA, to fund the planned exploration operations in accordance with South32's first stage of commitments.

This prepaid amount is held solely for the benefit of South32 in meeting their obligations under the JVA, in accordance with the policy described in Note 2(f), it is held as restricted cash as it is not available to finance the Group's day-to-day operations and therefore has been excluded from cash and cash equivalents for the purposes of the statement of cash flows. It has been disclosed as a non-current asset. An offsetting liability has been recognised representing the obligation of the Company, as the Operator under the JVA to South32 to meet their first stage of exploration commitments. Refer to Note 22 for further information.

## 13. Plant and equipment

| | 2019 $ | 2018 $ |
|---|---|---|
| NON-CURRENT | | |
| Equipment / software – at cost | 85,337 | 85,337 |
| Accumulated depreciation | (76,007) | (72,855) |
| | 9,330 | 12,482 |

| | Equipment / Software $ |
|---|---|
| **Year ended 30 June 2019** | |
| Opening net book amount | 12,482 |
| Additions | - |
| Depreciation charge | (3,152) |
| Closing net book amount | 9,330 |
| **Year ended 30 June 2018** | |
| Opening net book amount | 13,024 |
| Additions | 2,880 |
| Depreciation charge | (3,422) |
| Closing net book amount | 12,482 |

## 14. Exploration expenditure

| | 2019 $ | 2018 $ |
|---|---|---|
| **Exploration phase property costs** | | |
| Deferred geological, geophysical, drilling and other expenditure – at cost | | |
| Current – assets classified as held for sale (i) | - | 375,000 |
| Non-current | 4,427,456 | 3,588,615 |
| Total capitalised exploration expenditure | 4,427,456 | 3,963,615 |
| The capitalised exploration expenditure carried forward above has been determined as follows: | | |
| Opening balance | 3,963,615 | 3,116,578 |
| Expenditure incurred during the year (ii) | 921,912 | 899,109 |
| Impairment of exploration expenditure | - | (22,939) |
| Disposal of assets classified as held for sale (i) | (447,694) | - |
| Exploration abandoned | (10,377) | (29,133) |
| Closing balance | 4,427,456 | 3,963,615 |

(i) Capitalised exploration expenditure relating to the Tick Hill Gold Project of $447,694 (including exploration expenditure of $72,694 capitalised during the year) disposed during the year for a consideration of $221,412, resulting a loss on disposal of $226,282.

(ii) Exploration expenditure incurred during year includes an amount of $120,994 contributed by the Joint Venture participant, South32 Group Operations Pty Ltd in relation to the Nicholson Project under the Earn-in and Joint Venture Agreement, dated 28 May 2019. Refer to Note 22 for further information.

## 15. Non-current assets – Deferred tax assets

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Deferred tax assets | - | - |
| **The balance comprises temporary differences attributable to:** | | |
| *Amounts recognised in profit or loss* | | |
| Accruals | 14,831 | 14,454 |
| Employee entitlements | 12,434 | 9,500 |
| Business capital costs | 30,543 | 27,071 |
| Tax losses | 3,218,843 | 2,996,249 |
| *Amounts recognised in equity* | | |
| Business capital costs | 19,446 | 28,204 |
| Tax losses | 66,316 | 57,558 |
| Total deferred tax assets | 3,362,413 | 3,133,036 |
| Set-off of deferred tax assets/liabilities pursuant to set-off provisions (Note 18) | (1,268,958) | (1,139,305) |
| Net adjustment to deferred tax assets for tax losses not recognised | (2,093,455) | (1,993,731) |
| Net deferred tax assets | - | - |

| | Accruals<br>$ | Employee entitlements<br>$ | Business capital costs<br>$ | Tax losses incurred<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| **At 30 June 2017** | 17,395 | 6,320 | 50,563 | 2,667,085 | 2,741,363 |
| (Charged)/credited to profit or loss | (2,941) | 3,180 | 1,500 | 370,223 | 371,962 |
| (Charged)/credited to contributed equity | - | - | 3,212 | 16,499 | 19,711 |
| **At 30 June 2018** | 14,454 | 9,500 | 55,275 | 3,053,807 | 3,133,036 |
| (Charged)/credited to profit or loss | | | | | |
| (Charged)/credited to contributed equity | 377 | 2,934 | (5,286) | 231,352 | 229,377 |
| **At 30 June 2019** | 14,831 | 12,434 | 49,989 | 3,285,159 | 3,362,413 |

## 16. Non-current assets – Other

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Security deposits | 28,500 | 28,000 |

## 17. Payables

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | 253,515 | 93,355 |
| Other payables | 43,571 | 45,622 |
| Other payables – related party (i) | 244,540 | 144,899 |
| Employee entitlements | 45,216 | 34,544 |
| | 586,842 | 318,420 |
| **Non-current liabilities** | | |
| Other payables – related party (ii) | 44,666 | 44,666 |
| | 44,666 | 44,666 |
| **Total Payables** | **631,508** | **363,086** |

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

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

## 18. Non-current liabilities – Deferred tax liabilities

| | 2019 $ | 2018 $ |
|---|---|---|
| Deferred tax liabilities | - | - |
| **The balance comprises temporary differences attributable to:** | | |
| *Amounts recognised in profit or loss* | | |
| Exploration expenditure | 1,184,277 | 1,096,303 |
| Prepayments | 20,625 | 17,579 |
| Plant and equipment | 221 | 2,573 |
| *Amounts recognised in other comprehensive income* | | |
| Financial assets at fair value through other comprehensive income | 63,835 | 22,850 |
| Total deferred tax liabilities | 1,268,958 | 1,139,305 |
| Set-off of deferred tax assets/liabilities pursuant to set-off provisions (Note 15) | (1,268,958) | (1,139,305) |
| Net deferred tax liabilities | - | - |

| | 2019 $ | 2018 $ |
|---|---|---|

## 18. Non-current liabilities – Deferred tax liabilities (continued)

| | Exploration expenditure $ | Financial assets at fair value through other comprehensive income $ | Prepayments $ | Plant and equipment $ | Total $ |
|---|---|---|---|---|---|
| **At 30 June 2017** | 857,059 | 17,075 | 13,542 | 2,573 | 890,249 |
| Charged/(credited) to profit or loss | 239,244 | - | 4,037 | - | 243,281 |
| Charged /(credited) to other comprehensive income | - | 5,775 | - | - | 5,775 |
| **At 30 June 2018** | 1,096,303 | 22,850 | 17,579 | 2,573 | 1,139,305 |
| Charged/(credited) to profit or loss | - | - | - | - | - |
| Charged /(credited) to other comprehensive income | 87,974 | 40,985 | 3,046 | (2,352) | 129,653 |
| **At 30 June 2019** | **1,184,277** | **63,835** | **20,625** | **221** | **1,268,958** |

## 19. Contributed equity

| | 2019 $ | 2018 $ |
|---|---|---|
| 688,043,740 (2018: 688,043,740) ordinary shares fully paid | 10,975,213 | 10,975,213 |

### (a) Movements in ordinary share capital

| *Date* | *Details* | *Number of shares* | *Issue price $* | *$* |
|---|---|---|---|---|
| **At 30 June 2017** | Balance | 463,421,804 | | 9,031,677 |
| 14 December 2017 | Shares issued | 17,500,000 | 0.0086 | 151,116 |
| 22 January 2018 | Shares issued | 69,513,224 | 0.0090 | 625,619 |
| 16 March 2018 | Shares issued | 106,234,248 | 0.0090 | 956,108 |
| 27 March 2018 | Shares issued | 31,374,464 | 0.0090 | 282,370 |
| | Share issue expenses | | | (71,677) |
| **At 30 June 2018** | Balance | **688,043,740** | | **10,975,213** |
| **At 30 June 2019** | Balance | **688,043,740** | | **10,975,213** |

### (b) Ordinary shares

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

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

**19. Contributed equity (continued)**

**(c) Share options**

| *Date* | *Details* | *Number of options* | *Weighted Average Exercise Price $* | *Expiry* |
|---|---|---|---|---|
| **At 30 June 2017** | **Balance** | **37,375,000** | 0.030 | 30 Jun-19 |
| 22 January 2018 | Options issued | 34,756,609 | 0.016 | 31 Aug-19 |
| 16 March 2018 | Options issued | 53,117,101 | 0.016 | 31 Aug-19 |
| 27 March 2018 | Options issued | 15,687,215 | 0.016 | 31 Aug-19 |
| **At 30 June 2018** | **Balance** | **140,935,925** | 0.020 | |
| 17 October 2018 | Options issued | 10,000,000 | 0.030 | 31 Aug-19 |
| 30 June 2019 | Options expired | (37,375,000) | 0.030 | |
| **At 30 June 2019** | **Balance** | **113,560,925** | 0.030 | |

The lead manager to the share placement and rights issue undertaken in January to March 2018 received 10 million options, having the same terms as options issued under the placement and rights issue for a consideration of $100 for the issue of these options.

**(d) Capital risk management**

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

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

The Group monitors capital on the basis of cash flow requirements for operational, and exploration and evaluation expenditure. The Group's exposure to borrowings as at 30 June 2019 totals $nil (2018: $nil). The Group will continue to use capital market issues and joint venture participant funding contributions to satisfy anticipated funding requirements.

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

| | **2019 $** | **2018 $ Restated** |
|---|---|---|
| **20. Reserves** | | |
| Financial assets revaluation reserve | (3,095,913) | (3,231,025) |
| | | |
| At beginning of year | (3,231,025) | (3,246,250) |
| Realised gains on disposals | 28,180 | - |
| Revaluation increment | 147,917 | 21,000 |
| Income tax @ 27.5% | (40,985) | (5,775) |
| At end of year | (3,095,913) | (3,231,025) |

| | 2019 $ | 2018 $ Restated |
|---|---|---|
| **21. Accumulated losses** | | |
| Accumulated losses | (3,557,653) | (3,008,280) |
| At beginning of year | (3,008,280) | (2,523,193) |
| Net loss for the year | (549,373) | (485,087) |
| At end of year | (3,557,653) | (3,008,280) |

## 22. Liabilities for restrictions over assets

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

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

### Nicholson Project

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

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

The Company will be the JV operator during Stages 1 and 2 of joint venture operations which commenced with the drilling of the first diamond core hole on 27 July 2019. As Operator, the Company will receive contributions from South32 to fund the exploration commitments under the JVA. Exploration expenditure incurred on behalf of South32 will be capitalised to the Nicholson Project tenements and any unspent funds will be held as Restricted Cash and separated from cash flow from operations of the Company. As at 30 June 2019, the contributions received to date and expended on exploration of the Nicholson Project tenements and the related liabilities for restrictions over assets are summarised in the table below.

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| Restricted cash – prepaid contributions from South32 | 12 | 943,855 | - |
| Exploration expenditure by South32 - capitalised | 14 | 120,994 | - |
| JVA creditors | | (64,849) | |
| Liabilities for restrictions over assets – Total contribution form South32 | | 1,000,000 | - |

## 23. Joint venture entities

### Tick Hill Gold Project (THGP)

On 17 June 2013, the consolidated entity entered into an Exploration Farm-In and Joint Venture Agreement (JVA) over the THGP with Diatreme Resources Limited (DRX). Under the JVA the consolidated entity had the right to earn a 50% interest in the THGP by spending a minimum of $750,000 on exploration, paying DRX $100,000 and paying DRX an amount equal to 50% of the government security bond on the mining leases. The original Earn-in Period ended on 31 December 2016 and was extended by mutual agreement until 31 December 2017.

The consolidated entity has not met its earn-in requirements to date. As a result of expenditure incurred to date the consolidated entity holds a 50% interest in the surface gold, comprising mainly the residual gold in the Tick Hill tailings ponds.

On 11 March 2019, the Company entered into a binding Heads of Agreement (HOA) with Berkut Minerals Limited (BMT) and Carnaby Resources Limited for the sale of the Company's interest in the THGP. For the purposes of the HOA the Company's interest in the THGP is deemed to be a 25% beneficial interest, with DRX's interest deemed to be a 100% legal interest and a 75% beneficial interest.

The sale transaction completed on 24 April 2019 with the Company receiving the following consideration (excluding GST):

- 2,403,846 fully paid ordinary shares in Berkut Minerals Limited at a deemed value of $0.078 per share; and

- $33,911 cash consideration for project holding costs.

Subsequent to completion of the transaction, BMT changed its name to Carnaby Resources Limited (**CNB**). The minimum ASX-traded price of CNB shares on 12 March 2019 was $0.092 and $0.135 on 28 June 2019.

The CNB shares are not subject to any period of escrow.

## 24. Key Management Personnel disclosures

### (a) Key management personnel compensation

| | 2019 $ | 2018 $ |
|---|---|---|
| Short-term employee benefits | 294,616 | 298,726 |
| Post-employment benefits | 23,429 | 23,819 |
| | **318,045** | **322,545** |

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 10.
At 30 June 2019 $359,222 (2018: $210,840) remains payable.

**24. Key Management Personnel disclosures (continued)**

**(b) Equity instrument disclosures relating to key management personnel**

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

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

*(ii) Option holdings*

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

| Name | *Balance at the start of the year* | *Options Exercised* | *Net purchased / (sold)* | *Other changes* | *Balance at the end of the year* |
|---|---|---|---|---|---|
| ***Directors of Superior Resources Limited*** | | | | | |
| PH Hwang | 7,759,746 | - | - | (4,427,500) | 3,332,346 |
| CA Fernicola | 7,312,499 | - | - | (3,750,000) | 3,562,499 |
| KJ Harvey | 3,119,304 | - | - | - | 3,119,304 |

*All options are vested and exercisable.*

*(iii) Share holdings*

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

| **2019**<br>*Name* | *Balance at the start of the year* | *Received on exercising options* | *Net purchased / (sold)* | *Other changes* | *Balance at the end of the year* |
|---|---|---|---|---|---|
| ***Directors of Superior Resources Limited*** | | | | | |
| PH Hwang | 35,097,467 | - | - | - | 35,097,467 |
| CA Fernicola | 35,624,999 | - | - | - | 35,624,999 |
| KJ Harvey | 31,193,040 | - | - | - | 31,193,040 |

| **2018**<br>*Name* | *Balance at the start of the year* | *Received on exercising options* | *Net purchased / (sold)* | *Other changes* | *Balance at the end of the year* |
|---|---|---|---|---|---|
| ***Directors of Superior Resources Limited*** | | | | | |
| PH Hwang | 18,077,974 | - | 17,019,493 | - | 35,097,467 |
| CA Fernicola | 23,500,000 | - | 12,124,999 | - | 35,624,999 |
| KJ Harvey | 22,454,432 | - | 8,738,608 | - | 31,193,040 |

**25. Remuneration of auditors**

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

| | **2019**<br>**$** | **2018**<br>**$** |
|---|---|---|
| *PKF Brisbane Audit* | | |
| Audit or review of financial report | 40,500 | 30,500 |
| | 40,500 | 30,500 |

## 26. Contingencies

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

## 27. Commitments

**Exploration commitments**
So as to maintain current rights to tenure of various exploration and mining tenements, the company will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. These outlays (exploration expenditure and rent), which arise in relation to granted tenements, inclusive of tenement applications granted subsequent to 30 June 2019, are as follows:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Exploration expenditure commitments**<br>Commitments for payments under exploration permits for minerals in existence at the reporting date but not recognised as liabilities payable is as follows: | | |
| Payable within one year | 1,118,970 | 831,861 |
| Payable between one and five years | 1,962,518 | 1,779,132 |
| | 3,081,488 | 2,610,993 |

Outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished or certain contractual arrangements are entered into with third parties (e.g. a farm-in or joint venture arrangement). Cash security bonds totalling $28,500 (2018: $28,000) are currently held by the relevant governing authorities to ensure compliance with granted tenement conditions.

## 28. Events occurring after the balance date

Since the end of the financial year, the Group has raised $494,000 through the issue of 61,750,000 shares at value of $0.008 per share, which includes $35,000 from the Directors which will be subject to shareholders approval at the Annual General Meeting. 57,375,000 shares were issued on 15 August 2019.

No other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the company, the results of the operations or the state of affairs of the company in financial years subsequent to 30 June 2019.

## 29. Reconciliation of loss after income tax to net cash flows from operating activities

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Loss for the year after income tax | (549,373) | (485,087) |
| Depreciation and amortisation | 3,469 | 3,422 |
| Loss on disposal of tenement | 226,282 | - |
| Exploration abandoned | - | 29,133 |
| Impairment of exploration expenditure | 10,377 | 22,939 |
| Income tax | (40,985) | (5,775) |
| *Changes in operating assets and liabilities:* | | |
| (Increase)/decrease in other receivables | - | (14,786) |
| (Increase) / decrease in prepayments | (21,877) | (6,006) |
| Increase/(decrease) in trade payables | 77,102 | (30,884) |
| Increase/(decrease) in other payables - current | 141,403 | (34,411) |
| Increase/(decrease) in employee entitlements | 10,672 | 11,561 |
| Net cash outflow from operating activities | (142,930) | (509,894) |

## 30. Earnings (loss) per share

| | 2019<br>Cents | 2018<br>Cents |
|---|---|---|
| **(a) Basic earnings (loss) per share** | | |
| Profit (loss) attributable to the ordinary equity holders of the company | (0.08) | (0.08) |
| **(b) Diluted earnings (loss) per share** | | |
| Profit (loss) attributable to the ordinary equity holders of the company | (0.08) | (0.08) |

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **(c) Reconciliations of earnings (loss) used in calculating earnings per share** | | |
| Basic earnings (loss) per share<br>Profit (loss) attributable to ordinary equity holders of the company used in calculating basic earnings per share | (549,373) | (485,087) |
| Diluted earnings(loss) per share<br>Profit (loss) attributable to ordinary equity holders of the company used in calculating diluted earnings per share | (549,373) | (485,087) |

## 30. Earnings (loss) per share (continued)

| | 2019 Number | 2018 Number |
|---|---|---|
| **(d) Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings (loss) per share | 688,043,740 | 614,721,016 |
| Adjustments for calculation of diluted earnings (loss) per share: | | |
| Options | - | - |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings (loss) per share | 688,043,740 | 614,721,016 |

Unissued ordinary shares under option are not included in the calculation of diluted earnings per share because they are antidilutive for the years ended 30 June 2019 and 30 June 2018. These shares under option could potentially dilute basic earnings per share in the future.

## 31. Related party disclosures

### (a) Parent entity

The parent entity within the Group is Superior Resources Limited.

### (b) Subsidiaries

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

| | Country of incorporation | Principal Place of Business | % ownership interest Held by the Group 2019 | % ownership interest Held by the Group 2018 | Investment 2019 $ | Investment 2018 $ |
|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | |
| Superior Gold Pty Ltd | Australia | Australia | 100 | 100 | 1,000 | 1,000 |

### (c) Joint Agreement

| | Country of incorporation | Principal Place of Business | % ownership interest Held by the Group 2019 | % ownership interest Held by the Group 2018 | Investment 2019 $ | Investment 2018 $ |
|---|---|---|---|---|---|---|
| Hedleys Joint Venture (Nicholson Project) | Unincorporated | Australia | 100 | - | - | - |

### (d) Key management personnel

Disclosures relating to key management personnel are set out in Note 24.

## 32. Parent entity information

### (a) Summary financial information

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

| | 2019<br>$ | 2018<br>$<br>Restated |
|---|---|---|
| **Statement of financial position** | | |
| Assets | | |
| Current assets | 227,200 | 1,454,878 |
| Non-current assets | 4,702,153 | 3,649,431 |
| Total assets | 4,929,353 | 5,104,309 |
| Liabilities | | |
| Current liabilities | 556,464 | 318,420 |
| Non-current liabilities | 44,666 | 44,666 |
| Total liabilities | 601,130 | 363,086 |
| Net assets | 4,328,223 | 4,741,223 |
| Shareholders' equity | | |
| Issued capital | 10,975,213 | 10,975,213 |
| Reserves | (3,095,913) | (3,231,025) |
| Accumulated losses | (3,551,077) | (3,002,965) |
| | 4,328,223 | 4,741,223 |
| **Statement of profit or loss and other Comprehensive Income** | | |
| Loss for the year | (548,112) | (483,906) |
| Other comprehensive income/(loss) net of tax | 135,112 | 15,225 |
| Total comprehensive income/(loss) for the year | (413,000) | (468,681) |

### (b) Contingent liabilities and commitments of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.
The commitments of the parent entity are as disclosed at Note 27 for the Group.

**SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)**

## DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 15  to 50, are in accordance with the *Corporations Act 2001,* including:

   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

2. having regard to note 6 to the financial statements, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

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

CA Fernicola
Chairman

Brisbane, 26th September 2019

# INDEPENDENT AUDITOR'S REPORT

# TO THE MEMBERS OF SUPERIOR RESOURCES LIMITED

## Report on the Financial Report

### Opinion

We have audited the accompanying financial report of Superior Resources Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2019 the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of Superior Resources Limited is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### 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 Responsibility section of our report.

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

.

### Emphasis of matter

Without modifying our opinion, we draw attention to Note 6 of the financial statements which indicates that the consolidated entity incurred losses of $549,373 and operating and investing cash outflows of $782,623 for the year ended 30 June 2019. These conditions, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business

### Independence

We are independent of the consolidated entity in accordance with 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.

### 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

Carrying value of capitalised exploration expenditure

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As at 30 June 2019 the carrying value of exploration and evaluation assets was $4,427,456 (2018: $3,588,615), as disclosed in Note 14. This represents 74% of total assets of the consolidated entity.<br>The consolidated entity's accounting policy in respect of exploration and evaluation expenditure is outlined in Note 2 (j). Significant judgement is required:<br>• in determining whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6"); and<br>• in determining the treatment of exploration and evaluation expenditure in accordance with AASB 6, and the consolidated entity's accounting policy. In particular:<br>  ○ whether the particular areas of interest meet the recognition conditions for an asset; and<br>  ○ which elements of exploration and evaluation expenditures qualify for capitalisation for each area of interest. | Our work included, but was not limited to, the following procedures:<br>• to assess whether there are indicators of impairment:<br>  ○ assessing whether the rights to tenure of the areas of interest remained current at balance date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future;<br>  ○ holding discussions with the directors and management as to the status of ongoing exploration programmes for the areas of interest, as well as assessing if there was evidence that a decision had been made to discontinue activities in any specific areas of interest; and<br>  ○ obtaining and assessing evidence of the consolidated entity's future intention for the areas of interest, including reviewing future budgeted expenditure and related work programmes;<br>• considering whether exploration activities for the areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;<br>• testing, on a sample basis, exploration and evaluation expenditure incurred during the year for compliance with AASB 6 and the consolidated entity's accounting policy; and<br>• assessing the appropriateness of the related disclosures in Note 2 (j) and 14. |

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Directors' Responsibilities 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 1, 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 consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

### Auditor’s Responsibilities for the Audit of the Financial Report (continued)

The procedures selected depend on the auditor’s judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial report that gives a true and fair view 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 entity’s internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 consolidated entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We 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.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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 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 30 June 2019. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Superior Resources Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

PKF HACKETTS AUDIT

LIAM MURPHY
PARTNER

DATED THIS 26TH DAY OF SEPTEMBER 2019
BRISBANE

# Shareholder Information

The information set out below was applicable at 7 October 2019.

## A. DISTRIBUTION OF EQUITY SECURITIES

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

| Class of security - Ordinary Shares Range | Number of Holders |
|---|---|
| 1 - 1,000 | 27 |
| 1,001 - 5,000 | 14 |
| 5,001 - 10,000 | 87 |
| 10,001 - 100,000 | 284 |
| 100,001 and over | 443 |
| **Total** | **855** |

The number of holders holding less than a marketable parcel of ordinary shares was 332 and they held 7,550,127 securities.

## B. EQUITY SECURITY HOLDERS

Total of Ordinary Shares on Issue 745,418,740.

### *Twenty largest equity security holders*

Holders of fully paid ordinary shares (ASX:SPQ):

| Name | Ordinary Shares | |
|---|---|---|
| | Number | Percent |
| YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C> | 37,425,000 | 5.02 |
| HBH FAMILY PTY LTD <HBH INVESTMENT> | 29,041,666 | 3.90 |
| KJ HARVEY & ASSOCIATES PTY LTD <HARVEY NO2 SUPER FUND A/C> | 28,068,040 | 3.77 |
| MR TERRY TAYLOR & MRS LYNDA LOUISE TAYLOR <HOMEMINSTER SUPER FUND A/C> | 22,000,000 | 2.95 |
| JORLYN INVESTMENTS PTY LTD | 18,215,005 | 2.44 |
| BT PORTFOLIO SERVICES LIMITED <THE KELLY FAMILY A/C> | 17,812,500 | 2.39 |
| AIHANMI PTY LTD <LW & D ANTONIOLLI S/F A/C> | 15,443,000 | 2.07 |
| HAMILTON HAWKES PTY LTD <WHITCOMBE FAMILY A/C> | 13,174,558 | 1.77 |
| BT PORTFOLIO SERVICES LIMITED <THE FIVE BAZILLION S/F A/C> | 12,968,750 | 1.74 |
| MR GEOFFREY JAMES HARRIS | 12,500,000 | 1.68 |
| TERRA SEARCH PTY LTD | 12,297,916 | 1.65 |
| MR JOHN JOSEPH SCHOLL & MRS PATRICIA JOY SCHOLL <THE SCHOLL FAMILY SUPERANNUATION FUND> | 10,937,500 | 1.47 |
| MR SIMON DAVID BEAMS & MR RICHARD HUTTON LESH & MR DAVID RANDAL JENKINS <TERRA SEARCH S/F A/C> | 10,645,832 | 1.43 |
| CAPITAL FINANCIAL ADVISERS PTY LTD | 10,110,866 | 1.36 |
| MR SIMON DAVID BEAMS | 9,500,000 | 1.27 |
| MR CARLOS ALBERTO FERNICOLA & MRS KERRIE ALISON FERNICOLA <FERNICOLA NO 1 FUND A/C> | 8,076,250 | 1.08 |
| TRANQUIL PLUS PTY LTD <DG ROBERTS SUPERANNUATION FUND> | 7,104,166 | 0.95 |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 7,057,556 | 0.95 |
| CALM HOLDINGS PTY LTD <CLIFTON SUPER FUND A/C> | 6,500,000 | 0.87 |
| SWEET AS DEVELOPMENTS PTY LTD <SWEETMAN MCNICKLE FAMILY> | 6,300,000 | 0.85 |
| **Total** | **295,178,605** | **39.60** |

### *Unquoted equity securities*

There are no unlisted equity securities of Superior Resources Limited at the date of this report.

### *Holders of greater than 20% of the unlisted equity securities*

There are no holders of unlisted equity securities of Superior Resources Limited at the date of this report.

## *C. SUBSTANTIAL HOLDERS*

Substantial holders of the company’s securities are set out below:

| Shareholder | Ordinary Shares | |
|---|---|---|
| | Number Held | Percentage of Issued Shares |
| Simon David Beams | 40,902,083 | 5.49 |
| Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C> | 37,425,000 | 5.02 |

### D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands each member present at a meeting in person or by proxy shall have one vote and on a poll each share shall have one vote.

(b) Options

No voting rights

## Tenement Schedule

Current interests in tenements held by Superior Resources Limited and its subsidiaries as at 7 October 2019 are set out below.

All tenements are located within Queensland. Exploration Permits for Minerals held are for all minerals other than coal.

| Tenement | Name | Project | Date of Grant | Date of Expiry | Area | Holder | SPQ Interest |
|---|---|---|---|---|---|---|---|
| *Northwest Queensland* | | | | | | | |
| EPM15670[1] | Hedleys 2 | Nicholson | 21 Aug 06 | 20 Aug 21 | 186 $km^2$ | SPQ | 100% |
| EPM18203[1] | Hedleys South | Nicholson | 29 May 14 | 28 May 24 | 126 $km^2$ | SPQ | 100% |
| | | | | | | | |
| EPM18840 | Harris Creek | Victor | 9 May 12 | 8 May 20 | 39 $km^2$ | SPQ | 100% |
| EPM19097 | Tots Creek | Victor | 27 Nov 14 | 26 Nov 19 | 213 $km^2$ | SPQ | 100% |
| EPM19214 | Scrubby Creek | Victor | 27 Nov 14 | 26 Nov 19 | 180 $km^2$ | SPQ | 100% |
| EPM25264 | Tomahawk Creek | Victor | 24 Dec 15 | 23 Dec 20 | 180 $km^2$ | SPQ | 100% |
| EPM25843 | W Creek | Victor | 24 Dec 15 | 23 Dec 20 | 45 $km^2$ | SPQ | 100% |
| EPM26720 | Victor Extended | Victor | 30 Aug 18 | 29 Aug 23 | 60 $km^2$ | SPQ | 100% |
| *Northeast Queensland* | | | | | | | |
| EPM18987 | Cockie Creek | Greenvale | 25 Sep 13 | 24 Sep 23 | 153 $km^2$ | SPQ | 100% |
| EPM19247 | Cassidy Creek | Greenvale | 28 May 13 | 27 May 23 | 48 $km^2$ | SPQ | 100% |
| EPM25659 | Dinner Creek | Greenvale | 21 Apr 15 | 20 Apr 20 | 192 $km^2$ | SPQ | 100% |
| EPM25691 | Wyandotte | Greenvale | 7 Apr 15 | 6 Apr 20 | 90 $km^2$ | SPQ | 100% |
| EPM26165 | Cockie South | Greenvale | 30 Jan 17 | 29 Jan 22 | 108 $km^2$ | SPQ | 100% |
| EPM26751 | Twelve Mile Creek | Greenvale | 28 May 19 | 27 May 24 | 300 $km^2$ | SPQ | 100% |

Notes

1. Subject to a Farm-in and Joint Venture Agreement between South32 and Superior Resources Limited in respect of EPM15670 and EPM18203, as announced to the ASX on 29 May 2019.

Abbreviations:

SPQ Superior Resources Limited

EPM Exploration Permit for Minerals

ML Mining Lease

# Mineral Resources Statement

**Mineral Resources at 30 June 2019**

| Project | Resource category | Cut-off grade | Quantity tonnes | Average grade | Notes |
|---|---|---|---|---|---|
| Cockie Creek Copper | Inferred | 0.25% Cu | 13,000,000 | 0.42% Cu | 1, 2 |
| Steam Engine Gold | Inferred | 1.0g/t Au | 1,000,000 | 2.5g/t Au | 3, 4 |

Notes:

1. The Cockie Creek Copper Prospect is within granted EPM18987 "Cockie Creek" approximately 210km west northwest of Townsville, Queensland, Australia.

2. Competent person – Mineral Resources, Mr Ken Harvey (MAIG).

3. Steam Engine Gold Prospect lies approximately 1.5km south of the Gregory Development Road within an area under application to add excluded land to granted EPM26165 "Cockie South" and is located 210km west northwest of Townsville, Queensland, Australia.

4. Competent person – Mineral Resources, Mr Ken Harvey (MAIG).

### *Cockie Creek Prospect*

The information in relation to the Cockie Creek Copper Prospect Mineral Resources has been reported in an announcement to the ASX on 27 March 2013 "Cockie Creek Copper Prospect Inferred Resource" which complies with the guidelines of the 2004 JORC Code. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to the Cockie Creek Prospect Mineral Resources and Exploration Results is based on information compiled by Mr Ken Harvey, a director and shareholder of the Company and a member of the Australian Institute of Geoscientists at the time of compilation. Mr Harvey 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harvey consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

### *Steam Engine Prospect*

The information in relation to the Steam Engine Prospect Mineral Resources has been reported in an announcement to the ASX on 19 October 2017 "Maiden JORC Inferred Mineral Resource Estimate Steam Engine Gold Deposit (Steam Engine Lode)" which complies with the guidelines of the 2012 JORC Code. It has not been updated since on the basis that the information has not materially changed since it was last reported.

## SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)
## MINERAL RESOURCES STATEMENT

The information in this report that relates to the Steam Engine Prospect Mineral Resources and Exploration Results is based on information compiled by Mr Ken Harvey, a director and shareholder of the Company and a Member of the Australian Institute of Geoscientists at the time of compilation. Mr Harvey 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harvey consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

### *Mineral Resource and Ore Reserve Governance*

The Mineral Resources reported have been generated by a suitably qualified person using industry standard best practice modelling and estimation methods.

Unless stated otherwise, Mineral Resources and Ore Reserves are compiled in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition.

The Mineral Resources Statement included in the annual report is reviewed by a suitably qualified Competent Person.

Superior Resources

Superior Resources

Telephone: 07 3847 2887
Email: manager@superiorresources.com.au

www.superiorresources.com.au