

Superior Resources Limited

ABN 72 112 844 407

HALF-YEAR REPORT – 31 DECEMBER 2018

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Superior Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

DIRECTORS' REPORT

Your directors present their report on Superior Resources Limited ("Superior" or "the Company") and the entities it controlled (referred to hereafter as "the Group" or "the consolidated entity") for the half-year ended 31 December 2018.

Directors

The following persons were directors of Superior Resources Limited during the whole of the half-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)

Results and review of operations

The operating loss after income tax of the consolidated entity for the half-year was \$336,527 (2018: loss \$200,683).

The reported losses reflect the nature of the consolidated entity's principal activity, being mineral exploration.

Superior Resources Limited's activities during the half year period were focused on the following activities and events:

- **Nicholson Project (Zinc, Lead)**
 - progressing a significant joint venture agreement with a well-funded party;
 - desktop planning for 2019 drilling program.
- **Greenvale Project (VMS and porphyry copper, gold and zinc)**
 - completed a diamond drilling program at Bottletree Prospect totalling 1,102 metres;
 - data compilation and advanced modelling of geophysical data in preparation for planning of next stage exploration programs at the Bottletree Prospect and the Big Mag Prospect (in application).
- **Victor Project (Zinc, Lead)**
 - new EPM26720 granted.
- **Corporate – Commercial**
 - identify and engage with third parties in relation to new project opportunities as well as potential joint venture arrangements in relation to the North West Queensland Projects.

Matters subsequent to reporting date

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 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 Diatrema Resources Limited (**JVA**). The Company's interest in the project comprises 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 is expressed to be a 25% beneficial interest in the Project.

Consideration for the sale will comprise 2,403,846 fully paid ordinary shares in Berkut at a deemed issue price of \$0.078 per share. The minimum ASX-traded price of BMT shares on 12 March 2019 was \$0.092.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

DIRECTORS' REPORT

Matters subsequent to reporting date (continued)

In addition, the Company will be reimbursed with up to \$41,330.80 in cash for holding costs incurred since October 2018. The BMT shares to be received by the Company will not be subject to any period of escrow.

The transaction under the HOA is conditional upon a number of conditions being met on or before 30 April 2019, including:

- the satisfaction or waiver of conditions precedent under two interdependent transactions with other parties (the acquisition by BMT of 100% of Carnaby Resources Limited shares and the acquisition by Carnaby Resources Limited of Diatreme Resources Limited's interest in the project);
- the QLD Minister providing indicative approval to the transfer of the Tick Hill tenements;
- BMT confirming its satisfaction with its legal due diligence enquiries on the project;
- BMT obtaining all necessary shareholder and regulatory approvals required to complete the transaction under the HOA; and
- Carnaby Resources Limited agreeing to be bound by all third-party dealings relating to the project.

There are no other matters or circumstances that have arisen since 31 December 2018 that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

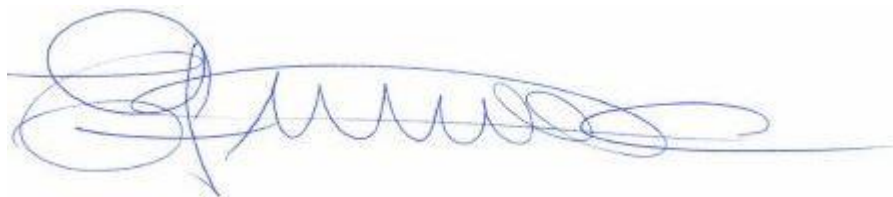
Cash Conservation

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

Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

This report is made in accordance with a resolution of the Board of directors made pursuant to section 306(3) of the *Corporations Act 2001*.

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

CA Fernicola
Chairman

Brisbane, 14 March 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 half-year ended 31 December 2018, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Superior Resources Limited and the entities it controlled during the period.



PKF BRISBANE AUDIT



LIAM MURPHY
PARTNER

BRISBANE

DATE: 14 MARCH 2019

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

| | Note | 2018 \$ | Consolidated Half-year 2017 \$ |
|--|------|--------------|---|
| Revenue | 7 | 2,552 | 252 |
| Expenses | | | |
| Accounting and audit fees | | (17,500) | (14,315) |
| Depreciation and amortisation | | (2,020) | (1,708) |
| Impairment of assets held for sale | 7 | (152,460) | - |
| Plant and equipment written off | 7 | (1,888) | - |
| Office rent and outgoings | | (7,038) | (7,250) |
| Exploration expenditure written off | | (3,220) | (6,910) |
| Administration expenses | 7 | (158,803) | (174,121) |
| | | <hr/> | <hr/> |
| Loss before income tax | | (340,377) | (204,052) |
| Income tax benefit | 8 | 3,850 | 3,369 |
| | | <hr/> | <hr/> |
| Loss for the half-year attributable to members of the parent entity | | (336,527) | (200,683) |
| | | <hr/> | <hr/> |
| Other comprehensive income for the half-year, net of tax | 8 | 10,150 | 8,881 |
| | | <hr/> | <hr/> |
| Total comprehensive loss for the half-year attributable to owners of Superior Resources Limited | | (326,377) | (191,802) |
| | | ===== | ===== |
| | | Cents | Cents |
| Earnings (loss) per share: | | | |
| Basic earnings (loss) per share | | (0.05) | (0.04) |
| Diluted earnings (loss) per share | | (0.05) | (0.04) |

The accompanying notes form part of these financial statements.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

| | Note | Consolidated 31 December 2018 \$ | 30 June 2018 \$ |
|--------------------------------|------|---|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 127,152 | 886,368 |
| Trade and other receivables | | 124,258 | 89,529 |
| Financial assets held for sale | 8 | 133,000 | 119,000 |
| Assets held for sale | 11 | 265,000 | 375,000 |
| | | <hr/> | <hr/> |
| Total current assets | | 649,410 | 1,469,897 |
| | | <hr/> | <hr/> |
| Non-current assets | | | |
| Plant and equipment | | 10,779 | 12,482 |
| Exploration expenditure | 4 | 4,139,505 | 3,588,615 |
| Other | | 28,500 | 28,000 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 4,178,784 | 3,629,097 |
| | | <hr/> | <hr/> |
| Total assets | | 4,828,194 | 5,098,994 |
| | | ===== | ===== |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 9 | 373,897 | 318,420 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 373,897 | 318,420 |
| | | <hr/> | <hr/> |
| Non-current liabilities | | | |
| Payables | 9 | 44,666 | 44,666 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 44,666 | 44,666 |
| | | <hr/> | <hr/> |
| Total liabilities | | 418,563 | 363,086 |
| | | ===== | ===== |
| Net assets | | 4,409,631 | 4,735,908 |
| | | ===== | ===== |
| EQUITY | | | |
| Contributed equity | 10 | 10,975,213 | 10,975,213 |
| Accumulated losses | | (6,641,807) | (6,305,280) |
| Reserves | | 76,225 | 65,975 |
| | | <hr/> | <hr/> |
| Total equity | | 4,409,631 | 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 HALF-YEAR ENDED 31 DECEMBER 2018**

| | Ordinary shares \$ | Accumulated losses \$ | Reserves \$ | Total \$ |
|---|-----------------------------------|--------------------------------------|------------------------|---------------------|
| Balance at 1 July 2017 | 9,031,677 | (5,820,193) | 50,750 | 3,262,234 |
| Loss for the half-year | - | (200,683) | - | (200,683) |
| Other comprehensive income | - | - | 8,881 | 8,881 |
| Total comprehensive income | - | (200,683) | 8,881 | (191,802) |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity, net of transaction costs | 149,010 | - | - | 149,010 |
| Balance at 31 December 2017 | 9,180,687 | (6,020,876) | 59,631 | 3,219,442 |
| Balance at 1 July 2018 | 10,975,213 | (6,305,280) | 65,975 | 4,735,908 |
| Loss for the half-year | - | (336,527) | - | (336,527) |
| Other comprehensive income (note 8) | - | - | 10,150 | 10,150 |
| Total comprehensive income | - | (336,527) | 10,150 | (326,377) |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity, net of transaction costs (note 10(c)) | - | - | 100 | 100 |
| Balance at 31 December 2018 | 10,975,213 | (6,641,807) | 76,225 | 4,409,631 |

The accompanying notes form part of these financial statements.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

| | Consolidated Half-year | |
|--|-----------------------------------|------------------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (GST inclusive) | 44,563 | 40,373 |
| Payments to suppliers and employees (GST inclusive) | (229,854) | (140,237) |
| Interest received | 352 | 252 |
| Insurance proceeds received | 2,200 | - |
| Net cash outflow from operating activities | <u>(182,739)</u> | <u>(99,612)</u> |
| Cash flows from investing activities | | |
| Payments for exploration expenditure | (573,771) | (270,467) |
| Payments for property, plant and equipment | (2,206) | - |
| Payment for security deposits | (500) | - |
| Net cash outflow from investing activities | <u>(576,477)</u> | <u>(270,467)</u> |
| Cash flows from financing activities | | |
| Payment of capital raising costs | - | (11,891) |
| Net cash inflow (outflow) from financing activities | <u>-</u> | <u>(11,891)</u> |
| Net increase (decrease) in cash and cash equivalents | (759,216) | (381,970) |
| Cash and cash equivalents at the beginning of the half-year | 886,368 | 445,007 |
| Cash and cash equivalents at the end of the half-year | <u>127,152</u> ===== | <u>63,037</u> ===== |

The accompanying notes form part of these financial statements.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Note 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 of the Company is:

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

The principal 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**).

There have been no significant changes in the nature of the principal activities of the Group during the half year.

Note 2 Significant Accounting Policies

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The Group is a for-profit entity for the purpose of preparing this report.

This half-year financial report does not include all the notes of the type normally included in an Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as the Annual Financial Report. As a result, this report should be read in conjunction with the 30 June 2018 Annual Financial Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The financial statements were approved and authorised for issue by the Directors on 14 March 2019.

(b) Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention, as modified where applicable by the revaluation of financial assets and liabilities at fair value through other comprehensive income, certain classes of property, plant and equipment and investment property.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those of the previous financial year and corresponding interim reporting period.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Note 3 Application of New and Revised Accounting Standards

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. There has been no material impact on the financial statements by their adoption.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The potential financial impact of these changes is not yet possible to determine.

Note 4 Critical Accounting Estimates and Judgments

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 exploration expenditure of \$4,139,505 (30 June 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.

Note 5 Going Concern

Notwithstanding that the Group incurred an operating loss after tax of \$336,527 (2017: loss of \$200,683) 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.

The Directors are confident of being able to secure additional funding and believe the entity is a going concern and will be able to pay its debts as and when they fall due and payable.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Note 5 Going Concern (continued)

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.

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

Note 6 Segment Information

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

Note 7 Loss for the Half-year

| | Half-year | |
|---|------------------|----------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Loss before income tax for the half-year includes the following Items that are unusual because of their nature, size or incidence: | | |
| Proceeds from insurance claim | 2,200 | - |
| Impairment of assets held for sale (note 11) | 152,460 | - |
| Plant and equipment written off | 1,888 | - |
| Administration expenses | | |
| Salaries and wages | 52,969 | 67,884 |
| Directors' fees | 12,000 | 12,000 |
| Company secretary fees | 12,000 | 12,000 |
| ASX and share registry fees | 36,929 | 21,506 |
| Legal and professional fees | - | 16,250 |
| AGM expense | 11,396 | 11,244 |
| Insurance expense | 12,813 | 9,499 |
| Other | 20,696 | 23,738 |
| | <u>158,803</u> | <u>174,121</u> |

Note 8 Fair Value of Financial Assets Held for Sale

| | 31 Dec | 30 Jun |
|--|---------------|---------------|
| | 2018 | 2018 |
| | \$ | \$ |
| Recurring fair value measurements | | |
| The following financial instruments are subject to recurring fair value measurements: | | |
| Financial assets at fair value through other comprehensive income – Deep Yellow Limited | 133,000 | 119,000 |
| - Listed equity securities – Level 1 | | |

The increase in the market value of listed equity securities of \$14,000 during the half-year has been recorded in the asset revaluation reserve net of income tax expense of \$3,850.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Note 8 Fair Value of Financial Assets Held for Sale (continued)

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (ie, as prices), or indirectly (ie. derived from prices)
- Level 3 – a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

As Superior Resources Limited only holds listed equity securities, which are measured at the closing bid price at the end of the reporting period, all financial assets at fair value through other comprehensive income fall within Level 1 of the fair value hierarchy.

Note 9 Payables

| | Note | 31 Dec 2018 \$ | 30 Jun 2018 \$ |
|-----------------------------|-------------|-------------------------------|-------------------------------|
| Current payables | | | |
| Trade payables | | 132,854 | 93,355 |
| Other payables | | 41,638 | 45,622 |
| Payable to Directors | | 159,525 | 144,899 |
| Employee entitlements | | 39,880 | 34,544 |
| | | <u>373,897</u> | <u>318,420</u> |
| Non-current payables | | | |
| Payable to Directors | | 44,666 | 44,666 |
| | | <u>44,666</u> | <u>44,666</u> |

Note 10 Equity Securities Issued

| | 31 Dec 2018 Shares | 31 Dec 2018 \$ |
|--------------------------|-----------------------------------|-------------------------------|
| (a) Share capital | | |
| Ordinary shares | | |
| Fully paid | <u>688,043,740</u> | <u>10,975,213</u> |

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Note 10 Equity Securities Issued (continued)

(b) Movements in ordinary share capital

| Date | Details | Note | Number of Shares | Issue Price | \$ |
|-------------|-----------------|-------------|-----------------------------|------------------------|------------|
| 1 Jul 2018 | Opening Balance | | 688,043,740 | | 10,975,213 |
| 31 Dec 2018 | Closing Balance | | 688,043,740 | | 10,975,213 |

(c) Share options

Details of options on issue are as follows:-

| <i>Date</i> | <i>Details</i> | <i>Number of options</i> | <i>Weighted Average Exercise Price \$</i> | <i>Expiry</i> |
|-------------|----------------|------------------------------|---|---------------|
| 16 Dec-16 | Options issued | 37,375,000 | 0.030 | 30 Jun-19 |
| 22 Jan-18 | Options issued | 34,756,609 | 0.016 | 31 Aug-19 |
| 16 Mar-18 | Options issued | 53,117,101 | 0.016 | 31 Aug-19 |
| 27 Mar-18 | Options issues | 15,687,215 | 0.016 | 31 Aug-19 |
| 17 Oct-18 | Options issued | 10,000,000 | 0.016 | 31 Aug-19 |
| | Balance | <u>150,935,925</u> | <u>0.019</u> | |

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. Consideration received of \$100 has been recorded in option premium reserve in equity.

Note 11 Joint Venture Entities

Tick Hill Gold Project

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 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 comprises 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 is expressed to be a 25% beneficial interest in the Project.

Consideration for the sale will comprise 2,403,846 fully paid ordinary shares in BMT at a deemed issue price of \$0.078 per share. The minimum ASX-traded price of BMT shares on 12 March 2019 was \$0.092. In addition, the Company will be reimbursed with up to \$41,330.80 in cash for holding costs incurred since October 2018. The BMT shares to be received by the Company will not be subject to any period of escrow.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Note 11 Joint Venture Entities (continued)

Tick Hill Gold Project (continued)

The transaction under the HOA is conditional upon a number of conditions being met on or before 30 April 2019, including:

- the satisfaction or waiver of conditions precedent under two interdependent transactions with other parties (the acquisition by BMT of 100% of Carnaby Resources Limited shares and the acquisition by Carnaby Resources Limited of Diatreme Resources Limited's interest in the project);
- the QLD Minister providing indicative approval to the transfer of the Tick Hill tenements;
- BMT confirming its satisfaction with its legal due diligence enquiries on the project;
- BMT obtaining all necessary shareholder and regulatory approvals required to complete the transaction under the HOA; and
- Carnaby Resources Limited agreeing to be bound by all third-party dealings relating to the project.

At 31 December 2018 the Tick Hill Gold Project capitalised exploration expenditure has been written down to fair value less costs of disposal of \$265,000 resulting in an impairment loss of \$152,460 for the half-year. The fair value of the Tick Hill Gold Project capitalised exploration expenditure is classified as a level 3 fair value and reflects the Directors' assessment of the likely outcome of the proposed sale.

Note 12 Commitments for Expenditure

| | 31 Dec 2018 \$ | 30 Jun 2018 \$ |
|---|-------------------------------|-------------------------------|
| Exploration commitments | | |
| Commitments as at 31 December 2018 for payments under exploration permits for minerals in existence at the reporting date but not recognised as liabilities payable is: | | |
| Payable within 1 year | 1,345,052 | 831,861 |
| Payable greater than 1 year | 2,484,735 | 1,779,132 |
| | <u>3,829,787</u> | <u>2,610,993</u> |

So as to maintain current rights to tenure of various exploration tenements, the consolidated entity will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The 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, work program deferred or Joint Venture Agreement concluded.

Note 13 Contingent Liabilities

There have been no changes in contingent liabilities since the end of the previous annual reporting period, 30 June 2018.

Note 14 Events Occurring After the Reporting Period

Information on the proposed sale of the Tick Hill Gold Project is provided at note 11. No other matter or circumstance has arisen since the end of the half-year, that has significantly affected, or may affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

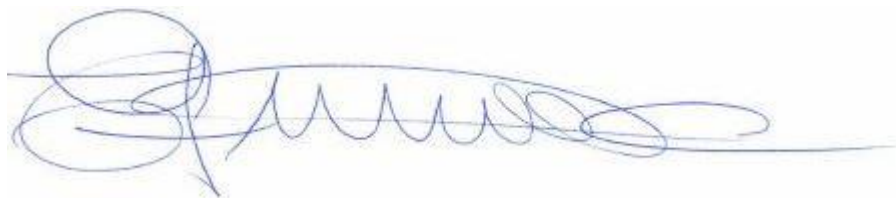
SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

DIRECTORS' DECLARATION

In the directors' opinion:

1. the consolidated financial statements and notes set out on pages 4 to 13, are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date, and
2. having regard to Note 5 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.

This declaration is made in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

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

CA Fernicola
Chairman

Brisbane, 14 March 2019

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF SUPERIOR RESOURCES LIMITED**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Superior Recourses Limited ("the Company"), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 half-year's end or from time to time during the financial half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Superior Recourses Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – Going Concern

Without qualification to the review conclusion expressed above, we draw attention to Note 5 of the financial statements in relation to going concern, there is material uncertainty that may cast significant doubt as to whether the consolidated entity will be able to continue normal business operations and therefore whether the consolidated entity will realise its assets and extinguish its liabilities in the normal course of business and at the amounts recorded in the financial report.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors' of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors' of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Superior Resources Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



PKF BRISBANE AUDIT



LIAM MURPHY
PARTNER

BRISBANE
DATE: 14 MARCH 2019