



Superior Resources Limited

ABN 72 112 844 407

ANNUAL FINANCIAL REPORT For the year ended 30 June 2015

Contents

| | |
|--|----|
| Annual financial report | |
| Corporate Review | 1 |
| Directors' Report | 2 |
| Auditor's Independence Declaration | 15 |
| Corporate Governance | 16 |
| Consolidated Income Statement | 17 |
| Consolidated Statement of Comprehensive Income | 18 |
| Consolidated Statement of Financial Position | 19 |
| Consolidated Statement of Changes in Equity | 20 |
| Consolidated Statement of Cash Flows | 21 |
| Notes to the Consolidated Financial Statements | 22 |
| Directors' Declaration | 45 |
| Independent Auditor's Report | 46 |

CORPORATE REVIEW

Company Background

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

Superior currently holds a number of exploration permits, exploration permit applications and a granted mining lease in northern Queensland for base metals exploration. Superior is also a party to a farm-in agreement for gold over three granted mining leases at Tick Hill in northwest Queensland. Tick Hill provides the Company with exposure to an area with potential for high grade gold mineralisation adjacent to a previously mined high grade gold mine.

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 and porphyry properties in the Greenvale area of north eastern Queensland with inferred resources defined for one property.

Corporate Philosophy

Superior's aim is to increase shareholder value through the discovery and acquisition of significant mineral deposits and it has 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 deposits in northwest Queensland, the more moderate volcanogenic massive sulphide (VMS) deposits in northeast Queensland and the Proterozoic Tick Hill gold deposits in northwest Queensland.

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 utilises advanced exploration methods (particularly geophysics) with modern computer modelling of results to produce 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.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Superior Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015.

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) |
| K J Harvey | (Non-executive Director) |
| D J Horton | (Non-executive Director) |

Mr C A Fernicola was appointed as a director and Chairman of the Company on 25 August 2014 and continues in office as at the date of this report.

Mr D J Horton ceased his role as Chairman on 25 August 2014 and continues as a director as at the date of this report.

PRINCIPAL ACTIVITIES

During the year the principal activity of the Group was exploration for base metals and gold in northern Queensland, Australia. There were no significant changes in the nature of the company's activities during the year and no changes 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 \$475,386 (2014 loss: \$712,135). Included in the current year's loss is an impairment of \$63,000 in the value of marketable equity securities (refer to paragraphs 2(g) and 13 in the Notes to the Consolidated Financial Statements).

During the previous year, the Company's Board had identified a clear set of considerations and objectives for the 2014–2015 year, which were based on being cognisant of the following market factors:

- (a) Severe downturn in the capital and investor markets;
- (b) Global trends in the zinc commodity and supply markets; and
- (c) Increasing project acquisition opportunities as a result of the significant industry sector downturn.

In summary, Superior's principle activities during the period were focused on the following:

1. Exploration

- Zinc, Lead
 - expand on tenement acreage and obtain access at the large North West Queensland Victor Project;
 - data compilation and modelling of geophysical data in preparation for planning of next stage exploration programs at the Victor Project;
 - progress land access and regulatory requirements to enable commencement of drilling of high priority, high order Zinc geophysical anomalies at the Greenvale Project (Riesling Prospect).

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

1. Exploration (continued)

- Gold
 - satisfaction of conditions precedent to the Tick Hill Farm-in and Joint Venture Agreement;
 - completed environmental regulatory permitting requirements at the Tick Hill Project;
 - developed surface gold recovery programs to realise potential early stage cash flow from the Tick Hill Gold Project;
 - completed initial drilling program on the Tick Hill tailings storage facility.
- Copper
 - expand on the Greenvale Project by obtaining new exploration permit applications over highly prospective areas containing anomalous copper and zinc anomalies and historic copper mineralised areas;
 - completed modelling of geophysical data, historical data compilation and development of drill targets.

2. Re-assessment of corporate strategy and project portfolio

- conducted a re-evaluation of the short to medium term corporate strategy based on local equity markets and global commodity markets;
- conducted a re-evaluation of the Group's exploration project portfolio.

3. Capital Raising

- conducted and finalised a Share Purchase Plan campaign;
- finalised share placements to sophisticated investors.

4. Dealings

- facilitated the finalisation of arrangements between Diatreme Resources Limited (**DRX**) and Mount Isa Mines Limited (**MIM**) for the transfer of the Tick Hill Gold Project mining leases by the signing of a Sale Implementation Deed between those parties on 7 November 2014;
- engaged with third parties for joint venture arrangements in relation to the North West Queensland and Greenvale projects; and
- identified and commenced processes with third parties in relation to new project opportunities.

Exploration

North West Queensland – Victor Project and Nicholson West Project

In recognition of a prospective short to medium term outlook for global zinc commodity markets, the Company gave greater focus to its large North West Queensland Mount Isa Style copper-lead-zinc-silver projects. During the period, the Company was granted two of its long-standing exploration permit applications (EPM 19097 and EPM 19214), which has provided the Company with the ability to access the majority of the area of the Victor Project.

The Company also applied for two new exploration permits (EPMA 25264, Tomahawk Creek and EPMA 25843, W Creek)) as a result of identifying high order and potentially structurally controlled lead and zinc geochemically anomalous areas and geophysical targets.

These areas, together with geophysics based targets in the Nicholson West Project, represent drill-ready targets which, subject to direct or indirect funding being available, the Company plans to investigate during 2015 – 2016.

The Victor Project, together with the Nicholson Project provides the Company with a leading opportunity to discover a world-class Lead-Zinc-Copper deposit of the Mt Isa Style. These deposits are potentially large, world-class base metals targets that are hosted in old rock units of Proterozoic age.

DIRECTORS' REPORT (continued)

Exploration (continued)

These Proterozoic sequences are exposed at surface or close to surface in the Mt Isa region and as a consequence, have been intensely explored. The Company's Victor Project is located northwest of Mt Isa where the Proterozoic rock units are covered by varying moderate depths of younger (Cambrian) sediments. It is important to also note that the Victor Project region is relatively unexplored compared to the intensely explored Mt Isa region to the east.

During the reporting period, the Company has progressed negotiations with third parties in relation to farm-in arrangements. No agreements have been reached as at the date of this report.

Tick Hill Gold Project

Formal arrangements between DRX and MIM for the transfer of the Tick Hill Gold Project mining leases were finalised by the signing of a Sale Implementation Deed between those parties on 7 November 2014.

The Sale Implementation Deed expedited the transfer of the mining leases to DRX, which occurred on 20 March 2015.

The transfer of the mining leases crystallised the Company's rights to:

1. commence earn-in rights to a 50% interest in the project; and
2. commence the exploitation of surface gold, which includes investigating the processing of old mine tailings and waste rock dumps.

Superior's rights are derived from an "Exploration Farm-in and Joint Venture Agreement" with DRX, dated 17 June 2013 (JVA). The transfer of the mining leases is the last condition to be fulfilled before the operation of the JVA can commence. Under the JVA, Superior has the right to earn a 50% interest in the project by spending \$750,000 on exploration including substantial drilling over a two year period (which can be extended by agreement).

Upon a transfer of a 50% interest in the project, Superior will be required to pay DRX \$100,000 and an amount equal to 50% of the government security bond on the mining leases.

MIM retains a royalty on gold produced from the mining leases, which is set at a variable rate depending on the annual grade of gold produced from mining. The royalty applies initially to gold produced above 5g/t Au and then, after payment of royalties totalling \$5M, to gold produced above 10g/t Au. A separate royalty rate applies to gold produced from tailings resulting from previous mining.

During the second half of the year, the Company completed the environmental regulatory compliance and permitting process to enable activities to commence on the project.

A reconnaissance tailings storage facility and alluvial gold drilling program for investigating the surface gold potential of the project commenced shortly after the end of the period, on 17 July 2015.

The Company also commenced a process of data review and planning for the preparation of a deep drilling program.

Greenvale Project

The Company received the grant of two new exploration permits (EPM25659, "Dinner Creek" and EPM25691, "Wyandotte").

Application for the EPMs were made following an upgrade in the potential of the Greenvale Copper Project.

The Company considers that copper mineralisation at the Cockie Creek prospect is of the porphyry copper style. The mineralisation is hosted in a belt of basic to intermediate volcanic and intrusive rocks of Cambro-Ordovician age similar in type and age to the belt in New South Wales which hosts the large Cadia and North Parkes porphyry copper mines. The prospective belt of rocks probably originally extended the length of the east coast of Australia but it is now restricted to remnant areas.

DIRECTORS' REPORT (continued)

Exploration (continued)

The rocks at the Cockie Creek prospect lie within one of those prospective remnant areas and the new EPMs were applied for in respect of these areas.

The Company continued a program of data compilation, interpretation and modelling of geophysical data in order to identify the potential for larger tonnage and higher grade copper at its current Greenvale prospects and newly acquired prospects which include, Halls Reward, Wyandotte and Riesling prospects.

The Wyandotte prospect and the Halls Reward Copper Mine are historically known projects with high grade copper occurrences. The Company considers that the two projects represent significant potential for identifying shallow high-grade copper mineralisation.

The Riesling prospect contains a high order and coincident zinc, copper, lead and other element soil geochemical anomaly, which is also coincident with a ground geophysical anomaly. The Company considers this prospect to be a high priority target and is planning drilling of the target during the following period.

Superior continues to advance and build on its current copper, zinc and gold Projects, in tune with the projected commodity and equity markets and consistent with its strategy to build value as these markets improve into and beyond the next financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

| | 2015 |
|---|-------------|
| | \$ |
| (a) Significant gains and expenses: | |
| Expenses: | |
| Impairment of available for sale financial asset | 63,000 |
| (b) Contributed equity increased by \$537,485 as the result of 30,592,000 shares issued under a Share Purchase Plan in December 2014, and 31,125,000 shares issued to sophisticated investors in June 2015. | |

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no matters or circumstances that have arisen since 30 June 2015 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.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS

Peter Henry Hwang B.Sc(Hons), LLB. *Managing director. Age 46*

Experience and expertise

Originally an exploration geologist Mr Hwang has worked as a solicitor for 15 years in national law firms specialising in resources 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.

Member of the audit committee.

Interests in shares and options

4,677,974 ordinary shares in Superior Resources Limited.

Carlos Fernicola B.Com, FCA, F Fin FCIS FCSA *Chairman. Age 54*

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. Mr Fernicola was appointed a Non-Executive Director on 25 August 2014 and succeeded Mr Horton as Chairman of the company.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chairman and Company Secretary.

Interests in shares and options

9,340,000 ordinary shares in Superior Resources Limited

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

Kenneth James Harvey M.Sc, MAusIMM, MAIG, MSEG, MGSA. *Non-executive Director. Age 70*
Experience and expertise

Mr Harvey has 45 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

None

Interests in shares and options

18,454,432 ordinary shares in Superior Resources Limited

David John Horton M.Sc, MGSA, MAIG, MSEG. *Non-executive Director. Age 65*

Experience and expertise

Mr Horton has 42 years experience in mineral exploration, project and prospect generation, management and resource evaluation. Mr Horton relinquished his position as Chairman of the company on 25 August 2014 continuing in his role as Non-Executive Director.

Other current directorships

Executive director of Opal Horizon Limited since 2002.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of the Audit Committee

Interests in shares and options

3,662,500 ordinary shares in Superior Resources Limited

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

Company Secretary

The Company Secretary is Mr Carlos Alberto Fernicola B.Com, FCA, F Fin FCIS FCSA. 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 2015, and the numbers of meetings attended by each director were:

Board

| <i>Director</i> | <i>Meetings Eligible to attend</i> | <i>Meetings attended</i> |
|-----------------|--|------------------------------|
| PH Hwang | 6 | 6 |
| CA Fernicola | 5 | 5 |
| KJ Harvey | 6 | 6 |
| DJ Horton | 6 | 6 |

Audit Committee

| <i>Director</i> | <i>Meetings eligible to attend</i> | <i>Meetings attended</i> |
|-----------------|--|------------------------------|
| CA Fernicola | 1 | 1 |
| KJ Harvey | 2 | 2 |
| DJ Horton | 2 | 2 |

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

The directors are pleased to present your Group's 2015 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 2014 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

| | |
|---|-------------------|
| <i>Non-executive and executive directors (see pages 6 to 7 for details about each director)</i> | |
| PH Hwang CA Fernicola KJ Harvey DJ Horton | |
| <i>Other key management personnel</i> | |
| 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.

DIRECTORS' REPORT (continued)

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 2014 Annual General Meeting*

The 2014 Remuneration Report resolution while passed by a show of hands had more than 25% of proxy votes cast against it. As a result this constitutes a first strike for the purposes of the Corporations Act.

The Board has introduced remuneration reductions as outlined in the 2014 AGM Chairman's address. The Board also noted that the Director's remuneration reported in the 2014 Annual Report included an abnormal payment representing accumulated unused annual leave which was paid out to Mr KJ Harvey. Mr Harvey re-invested the abnormal payment by subscribing for new shares under the 2013 rights issue.

(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.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

| 2015 | Short-term benefits | Post- employment benefits | Share- based payments | |
|--|--|--|--------------------------------------|---------------------|
| Name | Cash salary and fees \$ | Superannuation \$ | Options \$ | Total \$ |
| <i>Non-executive directors</i> | | | | |
| CA Fernicola | 21,000 | - | - | 21,000 |
| KJ Harvey | 27,724 | 2,629 | - | 30,353 |
| DJ Horton | 24,000 | - | - | 24,000 |
| <i>Other key management personnel</i> | | | | |
| CA Fernicola (Company Secretary) | 24,000 | - | - | 24,000 |
| Sub-total non-executive directors and other key management personnel | 96,724 | 2,629 | - | 99,353 |
| <i>Executive directors</i> | | | | |
| PH Hwang - Managing Director | 211,000 | 20,045 | - | 231,045 |
| Totals | 307,724 | 22,674 | - | 330,398 |

| 2014 | Short-term benefits | Post- employment benefits | Share- based payments | |
|---|--|--|--------------------------------------|---------------------|
| Name | Cash salary and fees \$ | Superannuation \$ | Options \$ | Total \$ |
| <i>Non-executive directors</i> | | | | |
| D J Horton | 24,000 | - | - | 24,000 |
| Sub-total non-executive directors | 24,000 | - | - | 24,000 |
| <i>Executive directors</i> | | | | |
| KJ Harvey - Exploration Director | 158,144 | 14,628 | - | 172,772 |
| PH Hwang - Managing Director | 211,000 | 19,518 | - | 230,518 |
| <i>Other key management personnel</i> | | | | |
| CA Fernicola | 24,000 | - | - | 24,000 |
| Totals | 417,144 | 34,146 | - | 451,290 |

DIRECTORS' REPORT (continued)**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 2015 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 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. There were no options or performance rights on issue at 30 June 2015.

| 2015 | Balance at the start of the year | Received on exercising options | Net purchased / (sold) | Other changes | Balance at the end of the year |
|--|--|--------------------------------------|---------------------------|---------------|-----------------------------------|
| Name | | | | | |
| Directors of Superior Resources Limited | | | | | |
| PH Hwang | 3,077,974 | - | 1,600,000 | - | 4,677,974 |
| CA Fernicola | 7,676,000 | - | 1,664,000 | - | 9,340,000 |
| KJ Harvey | 16,628,443 | - | 1,825,989 | - | 18,454,432 |
| DJ Horton | 3,262,500 | - | 400,000 | - | 3,662,500 |

(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

There were no other transactions with key management personnel.

End of Remuneration Report

DIRECTORS' REPORT (continued)

SHARES UNDER OPTION

There are no unissued ordinary shares of SPQ under option at the date of this report.

During the year ended 30 June 2015, 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 \$12,589 to insure the directors and secretaries 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 the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in 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 24 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*.

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES (continued)

During both the current and previous financial year there were no fees paid or payable for non-audit services provided by the auditor.

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 15.

AUDITOR

PKF Hacketts 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, 30 September 2015

**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 2015, there have been:

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

PKF HACKETTS AUDIT



**Cameron Bradley
Partner**

Brisbane, 30th September 2015

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 2015**

| | Note | 2015 \$ | 2014 \$ |
|--|-------------|--------------------|--------------------|
| Other income | 8 | 6,960 | 12,310 |
| Accounting and audit fees | | (51,560) | (48,440) |
| Depreciation and amortisation | | (4,597) | (3,828) |
| Office rent and outgoings | | (40,494) | (43,468) |
| Tenement expenditure written off | | (24,268) | (197,849) |
| Impairment of available-for-sale financial assets | 13 | (63,000) | (217,000) |
| Administration expenses | | (298,427) | (316,514) |
| | | <hr/> | <hr/> |
| Loss before income tax | | (475,386) | (814,789) |
| Income tax (expense) / benefit | 9 | - | 102,654 |
| | | <hr/> | <hr/> |
| Loss for the year from continuing operations attributable to owners of Superior Resources Limited | | (475,386) | (712,135) |
| | | <hr/> | <hr/> |
| | | Cents | Cents |
| Earnings (loss) per share | | | |
| Basic earnings (loss) per share | 29 | (0.24) | (0.47) |
| Diluted earnings (loss) per share | 29 | (0.24) | (0.47) |

The accompanying notes form part of these financial statements.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

| | Note | 2015 \$ | 2014 \$ |
|--|-------------|--------------------|--------------------|
| Loss for the year | | (475,386) | (712,135) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Fair value adjustment to available-for-sale financial assets | 13 | - | 140,000 |
| Income tax relating to components of other comprehensive income | | - | (42,000) |
| Other comprehensive income / (loss) for the year, net of tax | | - | 98,000 |
| Total comprehensive income / (loss) for the year attributable to owners of Superior Resources Limited | | (475,386) | (614,135) |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

| | Note | 2015 \$ | 2014 \$ |
|---------------------------------------|-------------|--------------------|--------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 10 | 359,471 | 360,601 |
| Trade and other receivables | 11 | 65,919 | 94,818 |
| Total Current Assets | | 425,390 | 455,419 |
| Non-Current Assets | | | |
| Property, plant and equipment | 12 | 9,964 | 14,561 |
| Available-for-sale financial assets | 13 | 70,000 | 133,000 |
| Exploration expenditure | 14 | 4,461,254 | 4,193,269 |
| Other | 16 | 27,500 | 25,000 |
| Total Non-Current Assets | | 4,568,718 | 4,365,830 |
| Total Assets | | 4,994,108 | 4,821,249 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 17 | 172,579 | 61,819 |
| Total Current Liabilities | | 172,579 | 61,819 |
| Total Liabilities | | 172,579 | 61,819 |
| Net Assets | | 4,821,529 | 4,759,430 |
| Equity | | | |
| Contributed equity | 19 | 7,766,926 | 7,229,441 |
| Retained profits (accumulated losses) | 21 | (2,945,397) | (2,470,011) |
| Total Equity | | 4,821,529 | 4,759,430 |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

| | Contributed equity \$ | Reserves \$ | Retained Earnings (Accumulated Losses) \$ | Total \$ |
|---|-----------------------------|----------------|---|-------------|
| Balance at 1 July 2013 | 6,244,136 | (98,000) | (1,757,876) | 4,388,260 |
| Loss for the year | - | - | (712,135) | (712,135) |
| Other comprehensive income / (loss) | - | 98,000 | - | 98,000 |
| Total comprehensive income for the year as reported in the 2014 financial statements | - | 98,000 | (712,135) | (614,135) |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity, net of transaction costs | 985,305 | - | - | 985,305 |
| Balance at 30 June 2014 | 7,229,441 | - | (2,470,011) | 4,759,430 |
| Loss for the year | - | - | (475,386) | (475,386) |
| Other comprehensive income / (loss) | - | - | - | - |
| Total comprehensive income for the year | - | - | (475,386) | (475,386) |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity, net of transaction costs | 537,485 | - | - | 537,485 |
| Balance at 30 June 2015 | 7,766,926 | - | (2,945,397) | 4,821,529 |

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

| | Note | 2015 \$ | 2014 \$ |
|---|-------------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (GST inclusive) | | 12,941 | 13,994 |
| Payments to suppliers and employees (GST inclusive) | | (297,540) | (486,468) |
| Interest received | | 6,960 | 12,310 |
| Research and development tax refund | | 60,654 | - |
| Net cash inflow(outflow) from operating activities | 28 | (216,985) | (460,164) |
| Cash flows from investing activities | | | |
| Payments for exploration expenditure | | (319,130) | (344,842) |
| Payment/(refund) of security deposits | | (2,500) | - |
| Net cash inflow(outflow) from investing activities | | (321,630) | (344,842) |
| Cash flows from financing activities | | | |
| Proceeds on issue of shares | | 554,920 | 1,045,063 |
| Payment of capital raising costs | | (17,435) | (92,912) |
| Net cash inflow(outflow) from financing activities | | 537,485 | 952,151 |
| Net increase (decrease) in cash held | | (1,130) | 147,145 |
| Cash at beginning of financial year | | 360,601 | 213,456 |
| Cash at the end of financial year | 10 | 359,471 | 360,601 |

The accompanying notes form part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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:

Level 2, 87 Wickham Terrace
Spring Hill QLD 4000
Ph (07) 3839 5099

The principal place of business of the Company is:

Level 2, 87 Wickham Terrace
Spring Hill QLD 4000
Ph (07) 3839 5099

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, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2015.

(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 available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(c) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

2. Significant Accounting Policies (continued)

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

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Revenue is measured at the fair value of the consideration received or receivable when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is recognised using the effective interest rate method.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. Significant Accounting Policies (continued)

(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.

(g) Investments and other financial assets

Available for sale

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Fair value

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets is the current bid price.

In order to provide an indication about the reliability of the inputs used in determining fair value, the accounting standards prescribe that the Group must classify its financial instruments into three levels of fair value hierarchy.

The Group's only financial instrument measured at fair value is its shares in Deep Yellow Limited which are classified as Level 1 under the fair value hierarchy, Level 1 represents the fair value, based on a quoted market price, determined by an active market.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets and the Group determines that the financial asset is impaired, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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. In cases where uncertainty exists as to the value, provisions for possible diminution in value are established.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. Significant Accounting Policies (continued)

(m) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. Significant Accounting Policies (continued)

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.

(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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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 period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 'Financial Instruments', and the relevant amending standards - effective for annual reporting periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of these amendments to AASB 9 will have a material impact on the Group's consolidated financial statements.

AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations' - effective for annual reporting periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to AASB 11 will have a material impact on the Group's consolidated financial statements.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 instruments:

| | 2015 | 2014 |
|-------------------------------------|----------------|----------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 359,471 | 360,601 |
| Trade and other receivables | 65,919 | 94,818 |
| Available-for-sale financial assets | 70,000 | 133,000 |
| | <u>495,390</u> | <u>588,419</u> |
| Financial liabilities | | |
| Trade and other payables | 172,579 | 61,819 |
| | <u>172,579</u> | <u>61,819</u> |

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).

| | 2015 | 2014 |
|--|----------------|----------------|
| | \$ | \$ |
| Cash at bank and short-term bank deposits | | |
| | 359,471 | 360,601 |
| | <u>359,471</u> | <u>360,601</u> |

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 \$351,597 (2014: \$352,156) 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 2015 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Trade and other payables | 172,579 | - | - | - | - | 172,579 | 172,579 |
| | 172,579 | - | - | - | - | 172,579 | 172,579 |
| At 30 June 2014 | | | | | | | |
| Trade and other payables | 61,819 | - | - | - | - | 61,819 | 61,819 |
| | 61,819 | - | - | - | - | 61,819 | 61,819 |

Market risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group in Deep Yellow 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 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% (2014 – 25%) from balance date fair value with all other variables held constant.

| | Impact on post-tax loss | | | | Impact on reserves | | | |
|-----------------------------------|--------------------------------|-----------|-------------|-----------|---------------------------|-----------|-------------|-----------|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | +25% | -25% | +25% | -25% | +25% | -25% | +25% | -25% |
| Investment in Deep Yellow Limited | 17,500 | (17,500) | 23,275 | (23,275) | - | - | - | - |

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.

At 30 June 2015, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax loss for the year would have been \$3,519 lower/higher (2014 – change of 100 bps \$3,606 higher/lower), as a result of higher/lower interest income from cash and cash equivalents.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 exploration expenditure of \$4,461,254 (2014: \$4,193,269). 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 area 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. The Directors are of the opinion that the exploration expenditure is recoverable for the amount stated in the financial report.

6. Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

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 the event that the Group is unable to raise future funding requirements there exists a material uncertainty 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

7. Segment information

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

| | 2015 | 2014 |
|------------------------|-------------|-------------|
| | \$ | \$ |
| 8. Other income | | |
| Interest | 6,960 | 12,310 |

9. Income tax

| | 2015 | 2014 |
|---|-------------|-------------|
| | \$ | \$ |
| (a) Numerical reconciliation of income tax expense / (income) to prima facie tax payable | | |
| Profit (loss) from continuing operations before income tax expense | (475,386) | (814,789) |
| Tax at the Australian tax rate of 30% (2014: 30%) | (142,615) | (244,436) |
| Adjustments for current tax of prior years | 62 | - |
| Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised | 142,553 | 202,436 |
| Prior year research and development tax credit | - | (60,654) |
| Income tax expense / (benefit) | - | (102,654) |

(b) The components of income tax expense / (income):

| | | |
|--|---|-----------|
| Current tax | - | - |
| Deferred tax | - | (42,000) |
| Adjustments for current tax of prior periods | - | (60,654) |
| | - | (102,654) |

Deferred income tax (income) expense included in income tax expense comprises:

| | | |
|---|---|----------|
| Decrease / (increase) in deferred tax assets (Note 15) | - | (42,000) |
| (Decrease) / increase in deferred tax liabilities (Note 18) | - | - |
| | - | (42,000) |

(c) Tax expense (income) relating to items of other comprehensive income:

| | | |
|-------------------------------------|---|--------|
| Available-for-sale financial assets | - | 42,000 |
|-------------------------------------|---|--------|

(d) Tax losses

| | | |
|---|-----------|-----------|
| Unused tax losses for which no deferred tax asset has been recognised | 3,834,750 | 3,342,137 |
| Potential tax benefit @ 30% (Note 15) | 1,150,425 | 1,002,641 |

| | | |
|--|---------|---------|
| Franking credits available for use in subsequent financial years | 251,146 | 251,146 |
|--|---------|---------|

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 \$ | 2014 \$ |
|---|--|--------------------|
| 10. Current assets - Cash and cash equivalents | | |
| Cash at bank and on hand | 359,471 | 360,601 |
| | 2015 \$ | 2014 \$ |
| 11. Current assets - Trade and other receivables | | |
| Other receivables | 6,379 | 64,403 |
| Prepayments | 59,540 | 30,415 |
| | 65,919 | 94,818 |
| | 2015 \$ | 2014 \$ |
| 12. Non-current assets – Property, plant and equipment | | |
| Equipment / software – at cost | 71,793 | 71,793 |
| Accumulated depreciation | (61,829) | (57,232) |
| | 9,964 | 14,561 |
| | Equipment / Software \$ | |
| Year ended 30 June 2015 | | |
| Opening net book amount | 14,561 | |
| Additions | - | |
| Depreciation charge | (4,597) | |
| Closing net book amount | 9,964 | |
| Year ended 30 June 2014 | | |
| Opening net book amount | 18,389 | |
| Additions | - | |
| Depreciation charge | (3,828) | |
| Closing net book amount | 14,561 | |
| | 2015 \$ | 2014 \$ |
| 13. Non-current assets – Available-for-sale financial assets | | |
| Listed securities | | |
| Equity securities | 70,000 | 133,000 |
| At beginning of year | 133,000 | 210,000 |
| Impairment of available-for-sale financial assets | (63,000) | (217,000) |
| Fair value adjustment in other comprehensive income / (loss) | - | 140,000 |
| | 70,000 | 133,000 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

14. Non-current assets – Exploration expenditure

| | 2015 | 2014 |
|---|-------------|-------------|
| | \$ | \$ |
| Exploration phase property costs | | |
| Deferred geological, geophysical, drilling and other expenditure – at cost | 4,461,254 | 4,193,269 |
| <hr/> | | |
| The capitalised exploration expenditure carried forward above has been determined as follows: | | |
| Opening balance | 4,193,269 | 3,997,035 |
| Expenditure incurred during the year | 292,253 | 394,083 |
| Exploration abandoned | (24,268) | (197,849) |
| | 4,461,254 | 4,193,269 |

15. Non-current assets – Deferred tax assets

| | 2015 | 2014 |
|---|-------------|-------------|
| | \$ | \$ |
| Deferred tax assets | - | - |
| <hr/> | | |
| The balance comprises temporary differences attributable to: | | |
| <i>Amounts recognised in profit or loss</i> | | |
| Accruals | 13,232 | 7,860 |
| Employee entitlements | 5,854 | 3,990 |
| Business capital costs | 20,818 | 17,806 |
| Tax losses | 2,427,158 | 2,225,260 |
| Other | - | 411 |
| <i>Amounts recognised in equity</i> | | |
| Capital raising costs | 30,945 | 35,918 |
| Tax losses | 20,074 | 9,870 |
| Total deferred tax assets | 2,518,081 | 2,301,115 |
| <hr/> | | |
| Set-off of deferred tax assets/liabilities pursuant to set-off provisions (Note 18) | (1,367,656) | (1,298,474) |
| Net adjustment to deferred tax assets for tax losses not recognised | (1,150,425) | (1,002,641) |
| Net deferred tax assets | - | - |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

15. Non-current assets – Deferred tax assets (continued)

Movements in deferred tax assets:

| | Accruals \$ | Employee entitlements \$ | Business capital costs \$ | Tax losses incurred \$ | Other \$ | Total \$ |
|---|------------------------|---|--|---|---------------------|---------------------|
| At 30 June 2013 | 8,027 | 15,140 | 8,603 | 2,029,683 | 383 | 2,061,836 |
| (Charged)/credited to profit or loss | (167) | (11,150) | 12,052 | 196,289 | 28 | 197,052 |
| (Charged)/credited to contributed equity | - | - | 33,069 | 9,158 | - | 42,227 |
| At 30 June 2014 | 7,860 | 3,990 | 53,724 | 2,235,130 | 411 | 2,301,115 |
| (Charged)/credited to profit or loss | 5,372 | 1,864 | 3,012 | 201,898 | (411) | 211,735 |
| (Charged)/credited to contributed equity | - | - | (4,973) | 10,204 | - | 5,231 |
| At 30 June 2015 | 13,232 | 5,854 | 51,763 | 2,447,232 | - | 2,518,081 |

| | 2015 \$ | 2014 \$ |
|---------------------------------------|--------------------|--------------------|
| 16. Non-current assets – Other | | |
| Security deposits | 27,500 | 25,000 |

| | 2015 \$ | 2014 \$ |
|---|--------------------|--------------------|
| 17. Current liabilities - Payables | | |
| Trade payables | 44,142 | 16,320 |
| Other payables | 108,922 | 32,200 |
| Employee entitlements | 19,514 | 13,299 |
| | 172,579 | 61,819 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 \$ | 2014 \$ |
|---|-------------|-------------|
| 18. Non-current liabilities – Deferred tax liabilities | | |
| Deferred tax liabilities | - | - |
| The balance comprises temporary differences attributable to: | | |
| <i>Amounts recognised in profit or loss</i> | | |
| Exploration expenditure | 1,338,376 | 1,257,981 |
| Investment | 10,228 | 29,128 |
| Prepayments | 16,245 | 7,265 |
| Property, plant and equipment | 2,807 | 4,036 |
| Other | - | 64 |
| Total deferred tax liabilities | 1,367,656 | 1,298,474 |
| Set-off of deferred tax assets/liabilities pursuant to set-off provisions (Note 15) | (1,367,656) | (1,298,474) |
| Net deferred tax liabilities | - | - |

Movements in deferred tax liabilities:

| | Exploration expenditure \$ | Available -for-sale financial assets \$ | Prepayments \$ | Property, plant and equipment \$ | Other \$ | Total \$ |
|---|----------------------------------|---|-------------------|---|-------------|-------------|
| At 30 June 2013 | 1,191,290 | 52,228 | 7,176 | 4,909 | - | 1,255,603 |
| (Charged)/credited to profit or loss | 66,691 | (65,100) | 89 | (873) | 64 | 871 |
| Charged /(credited) to other comprehensive income | - | 42,000 | - | - | - | 42,000 |
| At 30 June 2014 | 1,257,981 | 29,128 | 7,265 | 4,036 | 64 | 1,298,474 |
| (Charged)/credited to profit or loss | 80,395 | (18,900) | 8,980 | (1,229) | (64) | 69,182 |
| Charged /(credited) to other comprehensive income | - | - | - | - | - | - |
| At 30 June 2015 | 1,338,376 | 10,228 | 16,245 | 2,807 | - | 1,367,656 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
| 19. Contributed equity | | |
| 238,661,372 (2014: 176,944,372) ordinary shares fully paid | 7,766,926 | 7,229,441 |

(a) Movements in ordinary share capital:

| <i>Date</i> | <i>Details</i> | <i>Number of shares</i> | <i>Issue Price \$</i> | <i>\$</i> |
|--------------|----------------------|-----------------------------|---------------------------|-----------|
| 1 July 2013 | Balance | 83,105,955 | | 6,244,136 |
| | Shares issued | 93,838,417 | 0.012 | 1,126,061 |
| | Share issue expenses | | | (140,756) |
| 30 June 2014 | Balance | 176,944,372 | | 7,229,441 |
| | Shares issued | 30,592,000 | 0.010 | 305,920 |
| | Share issue expenses | | | (17,435) |
| | Shares issued | 31,125,000 | 0.008 | 249,000 |
| | Share issue expenses | | | - |
| 30 June 2015 | Balance | 238,661,372 | | 7,766,926 |

(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.

(c) 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 2015 totals \$nil (2014: \$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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|--|-------------|-------------|
| | \$ | \$ |
| 20. Reserves | | |
| Available-for-sale investments revaluation reserve | - | - |
| <i>Movements:</i> | | |
| Balance 1 July | - | (98,000) |
| Revaluation – gross (Note 13) | - | 140,000 |
| Deferred tax (Note 18) | - | (42,000) |
| Balance 30 June | - | - |

Nature and purpose of reserves

Available-for-sale investments revaluation reserve

Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in Note 2(g). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

| | 2015 | 2014 |
|--|-------------|-------------|
| | \$ | \$ |
| 21. Retained profits (Accumulated losses) | | |
| Retained profits / (accumulated losses) | (2,470,011) | (2,470,011) |
| <i>Movements:</i> | | |
| Balance 1 July | (2,470,011) | (1,757,876) |
| Profit / (loss) for the year | (475,386) | (712,135) |
| Dividend paid | - | - |
| Balance 30 June | (2,945,397) | (2,470,011) |

22. Joint venture entities

On 17 June 2013, the consolidated entity entered into an Exploration Farm-In and Joint Venture Agreement (**JVA**) over the Tick Hill Gold Project (**THGP**) with Diatreme Resources Limited (**DRX**). The commencement of the JVA was subject to certain conditions to be satisfied.

Formal arrangements between DRX and MIM Holdings Limited (**MIM**) for the transfer of Tick Hill mining leases were finalised by the signing of a Sale Implementation Deed between those parties on 7 November 2014. The transfer of the mining leases to DRX from MIM was completed on 20 March 2015.

On 30 January 2015, the consolidated entity and DRX confirmed that the remaining conditions of the JVA had been waived and as a result, the consolidated entity was entitled to commence earning into the THGP from 1 January 2015.

Under the JVA the consolidated entity has the right to earn a 50% interest in the THGP by spending a minimum of \$750,000 on exploration, which will include substantial drilling over a two year earn-in period (which can be extended by agreement). All expenditure incurred by the consolidated entity on the Surface Gold Project (involving the tailings, alluvial-colluvial gold and all other surface sources of gold) will constitute earn-in expenditure and will be counted towards the \$750,000 minimum earn-in obligation. During the earn-in period the consolidated entity will have sole and exclusive right to access and conduct exploration on the THGP as well as to determine the nature of the exploration programs. Upon a transfer of a 50% interest in the THGP, the consolidated entity will be required to pay DRX \$100,000 and an amount equal to 50% of the government security bond on the mining leases.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

22. Joint venture entities (continued)

MIM retains a royalty on gold produced from the mining leases, which is set at a variable rate depending on the annual grade of gold produced from mining. The royalty applies initially to gold produced above 5g/t Au and then, after payment of royalties totalling \$5m, to gold produced above 10g/t Au. A separate royalty rate applies to gold produced from tailings resulting from previous mining.

On 8 July 2015 the Queensland Department of Environment and Heritage Protection approved a twelve month Plan of Operations for exploration work to be conducted on the THGP.

23. Key Management Personnel disclosures

(a) Key management personnel compensation

| | 2015 | 2014 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 307,724 | 417,144 |
| Post-employment benefits | 22,674 | 34,146 |
| Share-based payments | - | - |
| | <u>330,398</u> | <u>451,290</u> |

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 12.
At 30 June 2015 \$67,765 remains payable (2014: \$NIL).

(b) Equity instrument disclosures relating to key management personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 9 to 12.

(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, was nil.

There were no options on issue at 30 June 2014 and 30 June 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

23. Key Management Personnel disclosures (continued)

(iii) Share holdings

The number of ordinary shares in the company held during the financial year by each Director and their personally related entities is set out below:

| 2015 | <i>Balance at the start of the year</i> | <i>Received on exercising options</i> | <i>Net purchased / (sold)</i> | <i>Other changes</i> | <i>Balance at the end of the year</i> |
|--|---|---|-----------------------------------|----------------------|---|
| <i>Name</i> | | | | | |
| Directors of Superior Resources Limited | | | | | |
| P H Hwang | 3,077,974 | - | 1,600,000 | - | 4,677,974 |
| C A Fernicola | 7,676,000 | - | 1,664,000 | - | 9,340,000 |
| K J Harvey | 16,628,443 | - | 1,825,989 | - | 18,454,432 |
| D J Horton | 3,262,500 | - | 400,000 | - | 3,662,500 |
| 2014 | | | | | |
| <i>Name</i> | <i>Balance at the start of the year</i> | <i>Received on exercising options</i> | <i>Net purchased / (sold)</i> | <i>Other changes</i> | <i>Balance at the end of the year</i> |
| Directors of Superior Resources Limited | | | | | |
| P H Hwang | 148,000 | - | 2,929,974 | - | 3,077,974 |
| K J Harvey | 6,020,724 | - | 10,607,719 | - | 16,628,443 |
| D J Horton | 2,695,000 | - | 567,500 | - | 3,262,500 |
| Other key management personnel of the company | | | | | |
| C A Fernicola | 3,176,000 | - | 4,500,000 | - | 7,676,000 |

(c) Other transactions with key management personnel

A director, Mr D Horton, is a director and shareholder of Opal Horizon Limited to which the company paid bookkeeping fees of \$15,779 (2014: \$14,632). The amounts were paid on normal commercial terms and conditions. At 30 June 2015 \$1,262 remains payable (2014: \$NIL).

There are no other related party transactions.

24. Remuneration of auditors

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

| | 2015 | 2014 |
|-------------------------------------|---------------|---------------|
| | \$ | \$ |
| <i>PKF Hacketts Audit</i> | | |
| Audit or review of financial report | 26,300 | 24,600 |
| Other assurance services | - | - |
| Taxation compliance services | - | - |
| | <u>26,300</u> | <u>24,600</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

25. Contingencies

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

26. 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 2015, are as follows:

| | 2015 \$ | 2014 \$ |
|---|------------------|------------------|
| Exploration expenditure commitments | | |
| 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 | 1,036,456 | 581,465 |
| Payable between one and five years | 2,660,882 | 1,350,183 |
| | <u>3,697,338</u> | <u>1,931,648</u> |

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 \$27,500 (2014: \$25,000) are currently held by the relevant governing authorities to ensure compliance with granted tenement conditions.

27. Events occurring after the balance date

No other matter or circumstance has arisen since the end of the financial year that has 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 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|---|-------------|-------------|
| | \$ | \$ |
| 28. Reconciliation of profit / (loss) after income tax to net cash flows from operating activities | | |
| Profit / (loss) for the year | (475,386) | (712,135) |
| Depreciation and amortisation | 4,597 | 3,828 |
| Exploration abandoned | 24,268 | 197,849 |
| Tax related balances recognised directly in equity | - | (42,000) |
| Impairment of available-for-sale financial assets | 63,000 | 217,000 |
| Changes in operating assets and liabilities: | | |
| (Increase) / decrease in other receivables | 58,024 | (60,037) |
| (Increase) / decrease in prepayments | 811 | 2,706 |
| Increase/(decrease) in trade payables | 24,764 | (1,523) |
| Increase/(decrease) in other payables | 76,722 | (28,684) |
| Increase / (decrease) in employee entitlements | 6,215 | (37,168) |
| Net cash outflow from operating activities | (216,985) | (460,164) |

29. Earnings (loss) per share

| | 2015 | 2014 |
|---|--------------|--------------|
| | Cents | Cents |
| (a) Basic earnings (loss) per share | | |
| Profit (loss) attributable to the ordinary equity holders of the company | (0.24) | (0.47) |
| (b) Diluted earnings (loss) per share | | |
| Profit (loss) attributable to the ordinary equity holders of the company | (0.24) | (0.47) |
| | 2015 | 2014 |
| | \$ | \$ |
| (c) Reconciliations of earnings (loss) used in calculating earnings per share | | |
| Basic earnings (loss) per share | | |
| Profit (loss) attributable to ordinary equity holders of the company used in calculating basic earnings per share | (475,386) | (712,135) |
| Diluted earnings(loss) per share | | |
| Profit (loss) attributable to ordinary equity holders of the company used in calculating diluted earnings per share | (475,386) | (712,135) |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

29. Earnings (loss) per share (continued)

| | 2015 Number | 2014 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 | 195,252,265 | 150,345,634 |
| 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 | <u>195,252,265</u> | <u>150,345,634</u> |

30. Related party disclosures

(a) Parent entity

The parent entity within the Group is Superior Resources Limited.

(b) Subsidiaries

The consolidated financial statements include the financial statements of Superior Resources Limited and the subsidiary listed in the following table:

| | Country of incorporation | % equity interest | | Investment | |
|-----------------------|-----------------------------|-------------------|------|------------|------------|
| | | 2015 | 2014 | 2015 \$ | 2014 \$ |
| Superior Gold Pty Ltd | Australia | 100 | 100 | 1,000 | 1,000 |
| | | Ordinary shares | | | |

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 23.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

31. Parent entity information

(a) Summary financial information

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

| | 2015 | 2014 |
|---|------------------|------------------|
| | \$ | \$ |
| Statement of financial position | | |
| Assets | | |
| Current assets | 425,376 | 455,329 |
| Non-current assets | 4,572,349 | 4,367,468 |
| Total assets | 4,997,725 | 4,822,797 |
| Liabilities | | |
| Current liabilities | 172,579 | 61,583 |
| Total liabilities | 172,579 | 61,583 |
| Shareholders' equity | | |
| Issued capital | 7,766,926 | 7,229,441 |
| Accumulated losses | (2,941,780) | (2,468,227) |
| | <u>4,825,146</u> | <u>4,761,214</u> |
| Statement of profit or loss and other Comprehensive Income | | |
| Loss for the year | (473,553) | (711,084) |
| Total comprehensive income | <u>(473,553)</u> | <u>(613,084)</u> |

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2015.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 17 to 44, 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 2015 and of its performance for the financial year ended on that date, and
2. 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, 30 September 2015

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

Report on the Financial Report

We have audited the accompanying financial report of Superior Resources Limited, which comprises the consolidated statements of financial position as at 30 June 2015, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements 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 its controlled entity at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such 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 Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards (IFRS)*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the 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 company'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 company's 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED
TO THE MEMBERS OF SUPERIOR RESOURCES LIMITED

Auditor's Opinion

In our opinion:

- a. the financial report of Superior Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and controlled entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. The consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphases of Matter - Inherent Uncertainty regarding Going Concern and Capitalised Exploration Expenditure

Without modifying our opinion expressed above, we draw attention to the following matters:

- a) As a result of the matter described in Note 5 to the financial statements in relation to the critical accounting estimates and judgements applied to the capitalised exploration expenditure, there is uncertainty as to whether the consolidated entity will be able to recover the carrying value of exploration expenditure for the amount recorded in the financial report. The ultimate recovery of the carrying value of exploration expenditure, and future exploration expenditure, is dependent upon the consolidated entity continuing normal business operations culminating in the successful development and commercial exploitation or, alternatively, sale of the interest in the tenements; and
- b) As a result of the matter described in Note 6 to 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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED
TO THE MEMBERS OF SUPERIOR RESOURCES LIMITED

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Superior Resources Limited for the year ended 30 June 2015 complies with s 300A of the *Corporations Act 2001*.

PKF Hacketts Audit

PKF Hacketts Audit

C. Bradley

Cameron Bradley

Partner

Dated this 30th day of September 2015