

Superior Resources Limited

ABN 72 112 844 407

HALF-YEAR REPORT – 31 DECEMBER 2013

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Superior Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

SUPERIOR RESOURCES LIMITED

DIRECTORS' REPORT

Your directors present their report on Superior Resources Limited (referred to hereafter as the 'consolidated entity') for the half-year ended 31 December 2013.

Directors

The following persons were directors of Superior Resources Limited during the whole of the half-year and up to the date of this report:

Ken Harvey
David Horton
Peter Hwang

Review of Operations

The operating loss after income tax of the consolidated entity for the half-year was \$399,510 (2012: loss \$483,763). The loss reflects the nature of the consolidated entity's principal activity, being mineral exploration.

Superior Resources Limited's (**Superior**) principle activities during the half year period were focused on three main objectives:

1. progress exploration and drilling for massive sulphide deposits at the Greenvale Project;
2. conduct a rights issue capital raising campaign; and
3. identify and engage with third parties in relation to new project opportunities as well as potential joint venture arrangements in relation to the North West Queensland Projects.

The current half year period saw the grant of EPM18987 within the Greenvale Project. Superior considers the grant to be significant as it enables access to a number of high-quality drill targets located just outside of the One Mile mining lease as well as within the vicinity of the Cockie Creek Copper Prospect and also the high quality Riesling Prospect.

Drilling activities on the Greenvale Project comprised five drill holes which were completed on geophysical targets within the One Mile mining lease. While all holes intersected sulphides these were principally pyrite.

Other work on the Greenvale Project during the period was restricted to completing geological mapping and interpretation, soil geochemistry and ground magnetics on the Riesling Prospect. Results from this work are promising and significantly enhance the potential of this prospect.

The Company commenced processes to obtain statutory access agreements with relevant landholders and Aboriginal cultural heritage clearance surveys during the latter half of the period. These requirements which are expected to be completed during the first quarter of 2014, will enable drill testing of several high order coincident geochemical and geophysical anomalies identified from modeling of the geochemical and geophysical data during the current period.

Whilst no field exploration work was completed on the North West Queensland Projects during the period, the Company focused significant resources to engaging with third parties regarding potential joint venture participation in the North West Queensland Projects.

The Company also commenced a campaign of identifying and engaging with third parties in relation to new project opportunities in order to strengthen the Company's position in relation to its copper, base metal and gold assets position during this period of depressed markets.

In addition to the above, capital raising activities dominated a substantial portion of this period. The company commenced and completed a rights issue campaign which closed successfully, considering the difficult market conditions that have dominated during 2013. Under the rights issue the company sought to raise up to \$1.5 million (before costs) by the issue of 124,658,933 fully paid ordinary shares at \$0.012. The issue closed on 4 October 2013 with strong support resulting in a total subscription value of \$1,126,061.

SUPERIOR RESOURCES LIMITED

DIRECTORS' REPORT (continued)

Auditor's Independence Declaration

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

This report is made in accordance with a resolution of the Board of directors.

A handwritten signature in black ink, appearing to read 'Peter Hwang', with a large loop at the top and a horizontal stroke at the bottom.

Peter Hwang
Managing Director

Brisbane, 3 March 2014

**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001
To the Directors of
Superior Resources Limited**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2013 there have been no contraventions of:

- (a) the audit independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Lawler Hacketts Audit



**Cameron Bradley
Partner**

Brisbane, 3rd March 2014

SUPERIOR RESOURCES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated Half-year	
	2013	2012
	\$	\$
Revenue	5,049	10,439
Expenses		
Accounting and audit fees	(11,190)	(16,140)
Depreciation and amortisation	(2,037)	(2,614)
Office rent and outgoings	(21,667)	(20,782)
Tenement expenditure written off	(71,782)	(330,996)
Administration expenses	(129,883)	(144,670)
Impairment of available for sale financial assets	(70,000)	-
Reclassification adjustment on impairment of available-for-sale financial assets	(140,000)	-
	-----	-----
Loss before income tax	(441,510)	(504,763)
Income tax benefit	42,000	21,000
	-----	-----
Loss for the half-year attributable to members of the parent entity	(399,510)	(483,763)
	-----	-----
Other comprehensive income		
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>		
Changes in the fair value of available-for-sale financial assets	-	70,000
Reclassification adjustment on impairment of available-for-sale financial assets	140,000	-
Income tax relating to components of other comprehensive income	(42,000)	(21,000)
	-----	-----
Other comprehensive income for the period, net of tax	98,000	49,000
	-----	-----
Total comprehensive income for the half-year attributable to members of the parent entity	(301,510)	(434,763)
	=====	=====
	Cents	Cents
Earnings (loss) per share:		
Basic earnings (loss) per share	(0.32)	(0.60)
Diluted earnings (loss) per share	(0.32)	(0.60)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

SUPERIOR RESOURCES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013

	Consolidated	
	31 December 2013 \$	30 June 2013 \$
ASSETS		
Current assets		
Cash and cash equivalents	669,707	213,456
Trade and other receivables	53,508	44,636
	<hr/>	<hr/>
Total current assets	723,215	258,092
	<hr/>	<hr/>
Non-current assets		
Plant and equipment	16,352	18,389
Available-for-sale financial assets	140,000	210,000
Exploration expenditure	4,220,159	3,997,035
Other	22,500	25,000
	<hr/>	<hr/>
Total non-current assets	4,399,011	4,250,424
	<hr/>	<hr/>
Total assets	5,122,226 =====	4,508,516 =====
LIABILITIES		
Current liabilities		
Payables	50,171	104,755
	<hr/>	<hr/>
Total current liabilities	50,171	104,755
	<hr/>	<hr/>
Non-current liabilities		
Payables	-	15,501
	<hr/>	<hr/>
Total non-current liabilities	-	15,501
	<hr/>	<hr/>
Total liabilities	50,171 =====	120,256 =====
Net assets	5,072,055 =====	4,388,260 =====
EQUITY		
Contributed equity	7,229,441	6,244,136
Reserves	-	(98,000)
Accumulated losses	(2,157,386)	(1,757,876)
	<hr/>	<hr/>
Total equity	5,072,055 =====	4,388,260 =====

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

SUPERIOR RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Consolidated Group	Ordinary shares \$	Accumulated losses \$	Available for sale investments revaluation reserve \$	Total \$
Balance at 1 July 2012	5,889,272	(1,049,527)	-	4,839,745
Loss for the half-year	-	(483,763)	-	(483,763)
Other comprehensive income	-	-	49,000	49,000
Total comprehensive income	-	(483,763)	49,000	(434,763)
Transactions with owners in their capacity as owners:				
Shares issued during the period	270,128	-	-	270,128
Sub total	6,159,400	(1,533,290)	49,000	4,675,110
Dividends paid or provided for	-	-	-	-
Balance at 31 December 2012	6,159,400	(1,533,290)	49,000	4,675,110
Balance at 1 July 2013	6,244,136	(1,757,876)	(98,000)	4,388,260
Loss for the half-year	-	(399,510)	-	(399,510)
Other comprehensive income	-	-	98,000	98,000
Total comprehensive income	-	(399,510)	98,000	(301,510)
Transactions with owners in their capacity as owners:				
Shares issued during the period	1,126,061	-	-	1,126,061
Share issue expenses	(140,756)	-	-	(140,756)
Sub total	7,229,441	(2,157,386)	-	5,072,055
Dividends paid or provided for	-	-	-	-
Balance at 31 December 2013	7,229,441	(2,157,386)	-	5,072,055

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

SUPERIOR RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated Half-year	
	2013	2012
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	23,106	38,573
Payments to suppliers (inclusive of goods and services tax)	(281,354)	(222,223)
Interest received	5,049	10,439
Net cash outflow from operating activities	<u>(253,199)</u>	<u>(173,211)</u>
Cash flows from investing activities		
Payments for tenement exploration	(245,201)	(185,799)
Refund / (payment) for security deposit	2,500	-
Net cash outflow from investing activities	<u>(242,701)</u>	<u>(185,799)</u>
Cash flows from financing activities		
Proceeds from share issue	1,045,063	222,000
Payment of share issue costs	(92,912)	(11,872)
Net cash inflow from financing activities	<u>952,151</u>	<u>210,128</u>
Net increase (decrease) in cash and cash equivalents	456,251	(148,882)
Cash and cash equivalents at the beginning of the half-year	213,456	630,961
Cash and cash equivalents at the end of the half-year	<u>669,707</u> =====	<u>482,079</u> =====

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

SUPERIOR RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Note 1 Summary of significant accounting policies

These general purpose interim financial statements for the half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The historical cost basis has been used, except for available-for-sale financial assets which have been measured at fair value.

These half year financial statements do not include all the notes of the type normally included in an annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2013 and any public announcements made by Superior Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

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 adopting 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.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 January 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (eg. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

SUPERIOR RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Note 1 Summary of significant accounting policies (continued)

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2013 annual report. Estimates and judgments 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 consolidated entity has capitalised exploration expenditure of \$4,220,159 (30 June 2013: \$3,997,035). 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 as 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.

Going Concern

This interim financial report has 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 company'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 consolidated entity is unable to raise future funding requirements there exists a material uncertainty that may cast doubt on the company's ability to continue as a going concern with the result that the company may be required to realize its assets at amounts different from those currently recognized, settle liabilities other than in the ordinary course of business and make provisions for costs which may arise as a result of cessation or curtailment of normal business operations.

Note 2 Segment information

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

SUPERIOR RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Note 3 Loss for the half-year

	2013	Half-year	2012
	\$		\$
Loss before income tax for the half-year includes the following items that are unusual because of their nature, size or incidence:			
Expenses			
Depreciation and amortisation	2,037		2,614
Tenement expenditure written off	14,280		330,996

Note 4 Fair values of financial instruments

	31 December	30 June
	2013	2013
	\$	\$
Recurring fair value measurements		
The following financial instruments are subject to recurring fair value measurements:		
Available-for-sale financial assets:		
- Listed equity securities – Level 1	140,000	210,000

Fair value hierarchy

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

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

Superior Resources Limited only holds listed equity securities, which are measured at the closing bid price at the end of the reporting period, all available-for-sale financial assets fall within Level 1 of the fair value hierarchy.

Note 5 Equity securities issued

	Half-year		Half-year	
	2013	2012	2013	2012
	Shares	Shares	\$	\$
Issues of ordinary shares during the half-year				
Shares issued	93,838,424	3,700,000	1,126,061	222,000
Shares issued for acquisition of exploration rights	-	1,000,000	-	60,000
Share issue expenses (net of income tax)			-	(11,872)
Net increase in contributed equity	93,838,424	4,700,000	985,305	270,128

SUPERIOR RESOURCES LIMITED

Note 6 Commitments for expenditure

	31 December 2013 \$	30 June 2013 \$
Exploration commitments		
Commitments as at 31 December 2013 for payments under exploration permits for minerals in existence at the reporting date but not recognised as liabilities payable is:		
Payable within 1 year	613,228	457,292
Payable greater than 1 year	1,676,904	1,560,525
	<hr/> 2,290,131	<hr/> 2,017,817

So as to maintain current rights to tenure of various exploration tenements, the consolidated entity will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished, work program deferred or Joint Venture Agreement concluded.

Note 7 Events occurring after the balance sheet date

Since the end of the half-year the market value of the company's investment in financial assets available-for-sale has increased by \$70,000.

No other matters or circumstances have arisen since the end of the half-year, that have significantly affected, or may affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

Note 8 Contingent liabilities

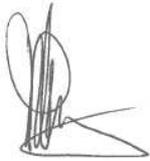
There have been no changes in contingent liabilities since the end of the previous annual reporting period, 30 June 2013.

SUPERIOR RESOURCES LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Superior Resources Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 11, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date
2. having regard to the matters described in Note 1 to the financial statements, in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Peter Hwang
Managing Director

Brisbane, 3 March 2014

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Superior Resources Limited ("the Company") and its controlled entities ("the consolidated entity") which comprises the consolidated balance sheet as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory notes, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Superior Resources Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Inherent Uncertainty regarding capitalised Exploration Expenditure

Without qualification to the conclusion expressed above, attention is drawn to the following matter:

As a result of the matter described in Note 1 to the financial statements, 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 successful development and commercial exploitation or, alternatively, sale of the interest in the tenements.

Lawler Hacketts Audit

Lawler Hacketts Audit

C Bradley

**Cameron Bradley
Partner**

Brisbane, 3rd March 2014