



Superior Resources Limited

ABN 72 112 844 407

HALF-YEAR REPORT – 31 DECEMBER 2010

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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 2010 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 ("Superior", "the company") for the half-year ended 31 December 2010.

Directors

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

Ken Harvey
David Horton

Mr Lawrie Litzow was a director from the beginning of the financial year until his resignation on 3 December 2010.

Mr Peter Hwang was appointed a director on 11 November 2010 and continues in office at the date of this report.

Review of Operations

The operating loss after income tax of the company for the half-year was \$938,466 (2009: loss \$128,659). The loss reflects the nature of the company's principal activity, being mineral exploration.

Superior's principal target deposits are copper, lead and zinc deposits of the Mount Isa style. Uranium, phosphate, gold and diamonds are additional, but subordinate, target commodities. At the end of the December 2010 half-year, Superior held 12 granted exploration permits and 7 permit applications in north Queensland.

Considerable exploration has been completed on targets in the Dajarra Project area. Drilling has been completed on the Mungeraba, RFZ, Elizabeth, Cannon, Carbine and Wills Phosphate prospects. Interesting shallow moderate-grade phosphate has been intersected in the southern part of the Wills Phosphate Prospect.

In the Nicholson Project area exploration has focused on a VTEM anomaly at the Nicholson West Prospect. This prospect has been prepared for drilling in the 2011 field season. This work has been prioritized over further work on the Walford South Prospect where pyritic shale was intersected previously because the target depth is shallower.

In the Victor Project area drilling of the Kingfisher Copper Prospect has not been possible because of problems in accessing the 'Wild Rivers' area.

Project generation work continued to identify new opportunities and which, in part, is intended to increase the 'brownfields' component of Superior's exploration. This work has identified a number of new areas which have been applied for as exploration permits. In the Greenvale area of north Queensland an exploration permit application has been made over a prospective area and a mining lease over a gossan within this area is being purchased.

The company has a strong cash and liquid assets position and your directors continue to manage exploration to maximize the return from expenditure.

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 2.

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



Ken Harvey
Managing Director

Brisbane, 14 February 2011

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SUPERIOR RESOURCES LIMITED**

In relation to the review of Superior Resources Limited's financial report for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*, and
- (b) no contraventions of any applicable code of professional conduct.

Lawler Hacketts Audit



L J Murphy
Partner

Brisbane, 14 February 2011

SUPERIOR RESOURCES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	2010 \$	Half-year 2009 \$
Revenue from operations	82,406	85,395
Accounting and audit fees	(32,720)	(27,480)
Depreciation and amortisation	(4,242)	(5,508)
Office rent and outgoings	(16,026)	(14,914)
Tenement expenditure written off	(1,225,095)	(38,555)
Administration expenses	(144,989)	(127,597)
	<hr/>	<hr/>
Loss before income tax	(1,340,666)	(128,659)
Income tax benefit	402,200	-
	<hr/>	<hr/>
Loss after income tax	(938,466)	(128,659)
	<hr/>	<hr/>
<i>Other comprehensive income</i>		
Changes in the fair value of available-for-sale financial assets	1,330,000	(210,000)
Income tax relating to components of other comprehensive income	(399,000)	63,000
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	931,000	(147,000)
	<hr/>	<hr/>
Total comprehensive income attributable to the ordinary equity holders of the company	(7,466)	(275,659)
	=====	=====
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	(1.22)	(0.17)
Diluted earnings per share	(1.22)	(0.17)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

SUPERIOR RESOURCES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	31 December 2010 \$	30 June 2010 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,493,452	3,189,308
Trade and other receivables	74,123	93,578
	-----	-----
Total current assets	2,567,575	3,282,886
	-----	-----
Non-current assets		
Property, plant and equipment	32,808	37,051
Available-for-sale financial assets	2,240,000	910,000
Exploration expenditure	3,087,004	3,863,198
Other	30,000	30,000
	-----	-----
Total non-current assets	5,389,812	4,840,249
	-----	-----
Total assets	7,957,387	8,123,135
	=====	=====
LIABILITIES		
Current liabilities		
Payables	75,165	230,247
	-----	-----
Total current liabilities	75,165	230,247
	-----	-----
Non-current liabilities		
Deferred tax liability	330,840	334,040
	-----	-----
Total non-current liabilities	330,840	334,040
	-----	-----
Total liabilities	406,005	564,287
	=====	=====
Net assets	7,551,382	7,558,848
	=====	=====
EQUITY		
Contributed equity	5,889,272	5,889,272
Reserves	980,000	49,000
Retained profits	682,110	1,620,576
	-----	-----
Total equity	7,551,382	7,558,848
	=====	=====

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

SUPERIOR RESOURCES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Ordinary shares \$	Retained earnings \$	Available for sale investments revaluation reserve \$	Total \$
Balance at 1 July 2009	5,889,272	1,747,538	1,078,000	8,714,810
Loss for the period	-	(128,659)	-	(128,659)
Total other comprehensive income	-	-	(147,000)	(147,000)
Total comprehensive income	-	(128,659)	(147,000)	(275,659)
Shares issued during the period	-	-	-	-
Sub total	5,889,272	1,618,879	931,000	8,439,151
Dividends paid or provided for	-	-	-	-
Balance at 31 December 2009	5,889,272	1,618,879	931,000	8,439,151
Balance at 1 July 2010	5,889,272	1,620,576	49,000	7,558,848
Loss for the period	-	(938,466)	-	(938,466)
Total other comprehensive income	-	-	931,000	931,000
Total comprehensive income	-	(938,466)	931,000	(7,466)
Shares issued during the period	-	-	-	-
Sub total	5,889,272	682,110	980,000	7,551,382
Dividends paid or provided for	-	-	-	-
Balance at 31 December 2010	5,889,272	682,110	980,000	7,551,382

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

SUPERIOR RESOURCES LIMITED

STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	2010 \$	Half-year 2009 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	55,353	98,281
Payments to suppliers (inclusive of goods and services tax)	(251,298)	(252,181)
Interest received	95,899	224,073
Net cash outflow from operating activities	<u>(100,046)</u>	<u>70,173</u>
Cash flows from investing activities		
Payments for tenement exploration	(595,810)	(816,102)
Payments for fixed assets	-	-
Refund / (payment) for security deposit	-	2,500
Proceeds from government grants	-	169,700
Net cash outflow from investing activities	<u>(595,810)</u>	<u>(643,902)</u>
Cash flows from financing activities		
Dividends paid	-	-
Proceeds from share issue	-	-
Payment of share issue costs	-	-
Net cash inflow from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(695,856)	(573,729)
Cash and cash equivalents at the beginning of the half-year	3,189,308	4,084,380
Cash and cash equivalents at the end of the half-year	<u>2,493,452</u> =====	<u>3,510,651</u> =====

The above 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 2010

Note 1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 2010 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*.

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

Critical judgements in applying accounting policies

These accounting policies include the capitalisation of tenement expenditure which as at 31 December 2010 amounts to \$3,087,004 (2009: \$3,434,888). Expenditure on tenements represents a significant asset of the company. 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 tenement expenditure there is uncertainty as to the carrying value of tenement expenditure. The ultimate recovery of the carrying value of tenement 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 tenement expenditure is recoverable for the amount stated in the financial report.

(a) Impacts of standards issued but not yet applied by the entity

In December 2010, the AASB issued AASB 9 *Financial Instruments* which addresses the classification and measurement of financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The company is yet to assess its full impact. However, initial indications are that it will not affect the company's accounting for its available-for-sale financial assets. The company has not yet decided when to adopt AASB 9.

Note 2 Segment information

The company 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 2010

Note 3 Loss for the half-year

	2010 \$	Half-year 2009 \$
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	4,242	5,508
Tenement expenditure written off	1,225,095	38,555

Note 4 Equity securities on hand

	Half-year		Half-year	
	2010 Shares	2009 Shares	2010 \$	2009 \$
Ordinary shares at 1 July	76,993,688	76,993,688	5,889,272	5,889,272
Shares issued	-	-	-	-
Exercise of options	-	-	-	-
Share issue expenses (net of income tax)	-	-	-	-
Ordinary shares at 31 December	<u>76,993,688</u>	<u>76,993,688</u>	<u>5,889,272</u>	<u>5,889,272</u>

Note 5 Commitments for expenditure

	31 December 2010 \$	30 June 2010 \$
Exploration commitments		
Commitments as at 31 December 2010 for payments under exploration permits for minerals in existence at the reporting date but not recognised as liabilities payable are as follows:		
Within one year	290,004	718,807
Later than one year but not later than 5 years	1,238,360	628,263
Later than 5 years	-	-
Commitments not recognised in the financial statements	<u>1,528,364</u>	<u>1,347,070</u>

So as to maintain current rights to tenure of various exploration tenements, the company 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 6 Events occurring after the balance sheet date

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

SUPERIOR RESOURCES LIMITED

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 1 to 8:

- (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory financial reporting requirements, and
- (b) give a true and fair view of the company's financial position as at 31 December 2010 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
- (b) there are reasonable grounds to believe that Superior Resources Limited will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'K. Harvey', is written over a light grey rectangular background.

Ken Harvey
Managing Director

Brisbane, 14 February 2011

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

We have reviewed the accompanying half-year financial report of Superior Resources Limited ("the Company") which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and 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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*. As the auditor of Superior Resources Limited, 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.

Independence

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

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

Modified 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 is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2010 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 company 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



L J Murphy
Partner

Brisbane, 14 February 2011