

Superior Resources Limited

ABN 72 112 844 407

HALF-YEAR REPORT – 31 DECEMBER 2008

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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 2008 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 the company for the half-year ended 31 December 2008.

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:

Lawrie Litzow
Ken Harvey
David Horton

Review of Operations

The operating loss after income tax of the company for the half-year was \$667,124 (2007: loss \$447,959). The loss reflects the nature of the company's principal activity, being mineral exploration, and impact of the revaluation of the company's investment in Deep Yellow Limited.

Superior's principal target deposits are copper, lead and zinc deposits of the Mount Isa style. Uranium, phosphate and more recently diamonds are additional, but subordinate, target commodities. At the end of the December 2008 half-year Superior held 17 exploration permits and applications in northwest Queensland.

At the Elizabeth Prospect (Dajarra Project) work focused on improved drill targeting following the receipt of intersections of low-grade copper, lead and zinc within dolomitic siltstones in the previous half. Down-hole electromagnetic (EM) logging was completed on some of the holes and a detailed gravity survey was completed over the prospect. Results from both surveys were subjected to advanced computer modelling. It is planned to drill targets outlined from this work in the 2009 year. The gravity survey and modelling also outlined a significant gravity low beneath a prominent circular surface feature. This is interpreted as a probable volcanic diatreme and it may have potential for diamonds. Drilling of this feature is also planned for the 2009 year.

At the Flora Prospect (Inca Project) four holes were drilled into a Versatile Time-Domain Electromagnetic (VTM) anomaly without intersecting significant copper, lead, zinc or phosphate mineralization.

The single tenement comprising the Victor Project was granted during the half-year. Compilation of historical drilling data indicates potential for copper at the Kingfisher Prospect but this has yet to be confirmed in the field.

At the Walford South Prospect (Nicholson Project) the large base metal target, indicated by the coincident gravity and conductivity anomalies, has been prepared for drilling in the 2009 year.

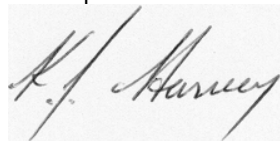
At the Lagoon Creek Prospect (Myally Project), following the subeconomic uranium results from drilling of the Toolebuc Formation, a palaeostream with potential for sandstone uranium deposits has been outlined.

The company has a strong cash position and directors continue to manage exploration to maximize the return from expenditure but also to survive the current financial crisis.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the company's auditors, Hacketts DFK, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half-year ended 31 December 2008. The Auditor's Independence Declaration is attached and forms part of this Directors' Report.

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



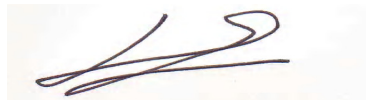
Ken Harvey
Managing Director

26 February 2009

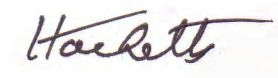
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SUPERIOR RESOURCES LIMITED**

In relation to the review of Superior Resources Limited's financial report for the half-year ended 31 December 2008, 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.



Liam Murphy
Partner



Hacketts DFK

Brisbane, 26 February 2009

SUPERIOR RESOURCES LIMITED

INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	2008 \$	Half-year 2007 \$
Revenue from operations	195,940	194,789
Accounting and audit fees	(30,500)	(31,035)
Depreciation and amortisation	(6,197)	(4,043)
Office rent and outgoings	(14,724)	(10,992)
Tenement expenditure written off	(77,686)	(4,742)
Administration expenses	(96,957)	(48,919)
Net loss on revaluation of available-for-sale financial assets	(910,000)	(735,000)
	-----	-----
Loss before income tax	(940,124)	(639,942)
Income tax benefit	273,000	191,983
	-----	-----
Loss attributable to members of Superior Resources Limited	(667,124)	(447,959)
	=====	=====
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	(0.9)	(0.8)
Diluted earnings per share	(0.9)	(0.8)

The above income statement should be read in conjunction with the accompanying notes.

SUPERIOR RESOURCES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	31 December 2008 \$	30 June 2008 \$
ASSETS		
Current assets		
Cash and cash equivalents	4,696,697	5,321,412
Trade and other receivables	213,839	118,237
	-----	-----
Total current assets	4,910,536	5,439,649
	-----	-----
Non-current assets		
Property, plant and equipment	53,328	42,714
Available-for-sale financial assets	840,000	1,750,000
Tenement expenditure	2,210,707	1,751,499
Deferred tax asset	-	-
Other	35,000	30,000
	-----	-----
Total non-current assets	3,139,035	3,574,213
	-----	-----
Total assets	8,049,571	9,013,862
	=====	=====
LIABILITIES		
Current liabilities		
Payables	50,582	74,749
	-----	-----
Total current liabilities	50,582	74,749
	-----	-----
Non-current liabilities		
Deferred tax liability	373,372	646,372
	-----	-----
Total Non-current liabilities	373,372	646,372
	-----	-----
Total liabilities	423,954	721,121
	=====	=====
Net assets	7,625,617	8,292,741
	=====	=====
EQUITY		
Contributed equity	5,889,272	5,889,272
Retained profits	1,736,345	2,403,469
	-----	-----
Total equity	7,625,617	8,292,741
	=====	=====

The above balance sheet should be read in conjunction with the accompanying notes.

SUPERIOR RESOURCES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	2008 \$	Half-year 2007 \$
Total equity at the beginning of the half-year	8,292,741	8,269,767
Loss for the half-year	(667,124)	(447,959)
Changes in the fair value of available-for-sale financial assets, net of tax	-	(416,500)
Dividends paid	-	(3,739,251)
Transactions with equity holders in their capacity as equity holders: Contributions of equity, net of transaction costs (note 4)	-	5,145,548
Total equity at the end of the half-year	7,625,617 =====	8,811,605 =====

The above statement of changes in equity should be read in conjunction with the accompanying notes.

SUPERIOR RESOURCES LIMITED

CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	2008 \$	Half-year 2007 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	87,274	70,630
Payments to suppliers (inclusive of goods and services tax)	(223,857)	(105,201)
Interest received	56,718	194,789
Net cash outflow from operating activities	<u>(79,865)</u>	<u>160,218</u>
Cash flows from investing activities		
Payments for tenement exploration	(574,381)	(419,935)
Payments for fixed assets	(16,810)	(19,700)
Payment for security deposit	(5,000)	(7,500)
Proceeds from government grants	51,341	-
Net cash outflow from investing activities	<u>(544,850)</u>	<u>(447,135)</u>
Cash flows from financing activities		
Dividends paid	-	(3,699,502)
Proceeds from share issue	-	5,427,400
Payment of share issue costs	-	(389,053)
Net cash inflow from financing activities	<u>-</u>	<u>1,338,845</u>
Net increase (decrease) in cash and cash equivalents	(624,715)	1,051,928
Cash and cash equivalents at the beginning of the half-year	5,321,412	6,752,445
Cash and cash equivalents at the end of the half-year	<u>4,696,697</u> =====	<u>7,804,373</u> =====

The above cash flow statement should be read in conjunction with the accompanying notes.

SUPERIOR RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Note 1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 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 2008 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.

These accounting policies include the capitalisation of tenement expenditure which as at 31 December 2008 amounts to \$2,210,707 (2007 : \$1,751,499). 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.

Note 2 Segment information

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

Note 3 Loss for the half-year

	2008 \$	Half-year	2007 \$
Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:			
Expenses			
Loss before income tax includes the following specific expenses:			
Depreciation and amortisation	6,197		4,043
Tenement expenditure written off	77,686		4,742
Net loss on revaluation of available-for-sale financial assets	910,000		735,000

Note 4 Equity securities issued

	Half-year		Half-year	
	2008 Shares	2007 Shares	2008 \$	2007 \$
Issues of ordinary shares during the half-year				
Shares issued	-	27,137,000	-	5,427,400
Exercise of options issued under the prospectus	-	-	-	-
Share issue expenses (net of income tax)	-	-	-	(281,852)
Net increase in contributed equity	-	27,137,000	-	5,145,548

SUPERIOR RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Note 5 Commitments for expenditure

	31 December 2008 \$	30 June 2008 \$
Exploration commitments		
Commitments as at 31 December 2008 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	615,429	480,000
Later than one year but not later than 5 years	1,970,425	2,550,000
Later than 5 years	-	-
	<hr/>	<hr/>
Commitments as at 31 December 2008 not recognised in the financial statements	2,585,854	3,030,000
	<hr/>	<hr/>

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

There have been no matters or circumstances that have arisen since the end of the half-year, that have 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

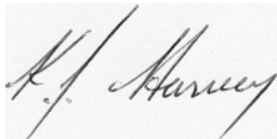
The directors declare that the financial statements and notes set out on pages 1 to 8:

- (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 2008 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
26 February 2009

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"). The half-year financial report comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, together with a statement of accounting policies, other selected explanatory notes and the Directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 company's financial position as at 31 December 2008 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 the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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*.

Modified Conclusion

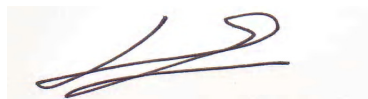
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Superior Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2008 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*.

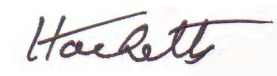
Inherent Uncertainty regarding capitalised Tenement Expenditure

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 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.



Liam Murphy
Partner



Hacketts DFK

Brisbane, 26 February 2009