

Superior Resources Limited

ABN 72 112 844 407

HALF-YEAR REPORT – 31 DECEMBER 2009

Contents

Half-year financial report	
Directors' Report	1
Auditor's Independence Declaration	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
Directors' Declaration	9
Independent Auditor's Review Report	10

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 2009 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 2009.

Directors

The following persons were directors of the company 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 \$128,659 (2008: loss \$667,124). 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 and diamonds are additional, but subordinate, target commodities. At the end of the December 2009 half-year, Superior held 15 exploration permits and applications in northwest Queensland.

At the Walford South Prospect (Nicholson Project) three deep diamond drill holes at approximately 1km spacing were completed. All holes intersected pyritic shale indicating that the area was prospective. A gravity survey was completed with density modelling of the survey results to delineate additional drilling targets. The best density anomaly from this work occurs on a splay of the Calvert Fault.

At the Kingfisher Copper Prospect (Victor Project) a gravity survey was completed with density modelling of the gravity survey results. A number of gravity/density anomalies were located from this work. Rock sampling on the anomalies located additional copper mineralization. Drilling of these anomalies is planned for 2010.

The Mungeraba Prospect (Dajarra Project) covers a prominent airborne electromagnetic (EM) anomaly located by Superior in 2007. A gravity survey was completed over the prospect with density modelling of the survey results. The gravity survey provides good support for the EM anomaly and drilling is planned in the first half of the 2010 year.

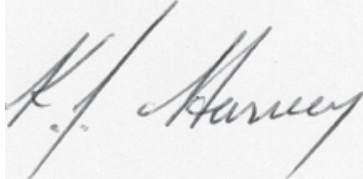
Exploration also continued on other areas within Superior's tenements.

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

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 2009. 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

Brisbane, 26 February 2010

**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 2009, 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.



Hacketts DFK



L J Murphy
Partner

Brisbane, 26 February 2010

SUPERIOR RESOURCES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	2009 \$	Half-year 2008 \$
Revenue from operations	85,395	195,940
Accounting and audit fees	(27,480)	(30,500)
Depreciation and amortisation	(5,508)	(6,197)
Office rent and outgoings	(14,914)	(14,724)
Tenement expenditure written off	(38,555)	(77,686)
Administration expenses	(127,597)	(96,957)
Net loss on revaluation of available-for-sale financial assets	-	(910,000)
	-----	-----
Loss before income tax	(128,659)	(940,124)
Income tax benefit	-	273,000
	-----	-----
Loss after income tax	(128,659)	(667,124)
	-----	-----
<i>Other comprehensive income</i>		
Changes in the fair value of available-for-sale financial assets	(210,000)	-
Income tax relating to components of other comprehensive income	63,000	-
	-----	-----
Other comprehensive income for the period, net of tax	(147,000)	-
	-----	-----
Total comprehensive income attributable to the ordinary equity holders of the company	(275,659)	(667,124)
	=====	=====
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	(0.17)	(0.87)
Diluted earnings per share	(0.17)	(0.87)

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 2009

	31 December 2009 \$	30 June 2009 \$
ASSETS		
Current assets		
Cash and cash equivalents	3,510,651	4,084,380
Trade and other receivables	102,471	279,321
	<hr/>	<hr/>
Total current assets	3,613,122	4,363,701
	<hr/>	<hr/>
Non-current assets		
Property, plant and equipment	41,853	47,361
Available-for-sale financial assets	2,170,000	2,380,000
Exploration expenditure	3,434,888	2,873,532
Deferred tax asset	-	-
Other	30,000	32,500
	<hr/>	<hr/>
Total non-current assets	5,676,741	5,333,393
	<hr/>	<hr/>
Total assets	9,289,863	9,697,094
	=====	=====
LIABILITIES		
Current liabilities		
Payables	84,575	153,147
	<hr/>	<hr/>
Total current liabilities	84,575	153,147
	<hr/>	<hr/>
Non-current liabilities		
Deferred tax liability	766,137	829,137
	<hr/>	<hr/>
Total non-current liabilities	766,137	829,137
	<hr/>	<hr/>
Total liabilities	850,712	982,284
	=====	=====
Net assets	8,439,151	8,714,810
	=====	=====
EQUITY		
Contributed equity	5,889,272	5,889,272
Reserves	931,000	1,078,000
Retained profits	1,618,879	1,747,538
	<hr/>	<hr/>
Total equity	8,439,151	8,714,810
	=====	=====

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 2009

	Ordinary shares \$	Retained earnings \$	Available for sale investments revaluation reserve \$	Total \$
Balance at 1 July 2008	5,889,272	2,403,469	-	8,292,741
Loss for the period	-	(667,124)	-	(667,124)
Total other comprehensive income	-	-	-	-
Total comprehensive income	-	(667,124)	-	(667,124)
Shares issued during the period	-	-	-	-
Sub total	5,889,272	1,736,345	-	7,625,617
Dividends paid or provided for	-	-	-	-
Balance at 31 December 2008	5,889,272	1,736,345	-	7,625,617
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

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 2009

	Half-year	
	2009	2008
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	98,281	87,274
Payments to suppliers (inclusive of goods and services tax)	(252,181)	(223,857)
Interest received	224,073	56,718
Net cash outflow from operating activities	<u>70,173</u>	<u>(79,865)</u>
Cash flows from investing activities		
Payments for tenement exploration	(816,102)	(574,381)
Payments for fixed assets	-	(16,810)
Refund / (payment) for security deposit	2,500	(5,000)
Proceeds from government grants	169,700	51,341
Net cash outflow from investing activities	<u>(643,902)</u>	<u>(544,850)</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	(573,729)	(624,715)
Cash and cash equivalents at the beginning of the half-year	4,084,380	5,321,412
Cash and cash equivalents at the end of the half-year	<u>3,510,651</u> =====	<u>4,696,697</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 2009

Note 1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 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 2009 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 except for the adoption of new and revised Accounting Standards.

Critical judgements in applying accounting policies

These accounting policies include the capitalisation of tenement expenditure which as at 31 December 2009 amounts to \$3,434,888 (2008: \$2,210,707). 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.

Accounting Standards not previously applied

The company has adopted the following new and revised Australian Accounting Standards issued by the Australian Accounting Standards Board ("AASB") which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in the information from the previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognized in profit of loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Segment information

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or review by, the company's chief operating decision maker which is considered to be the Board of Directors. The Directors consider that whilst exploration activities are monitored by tenement that the segment in which the company operates is mineral exploration.

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 2009

Note 3 Loss for the half-year

	Half-year	
	2009	2008
	\$	\$
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	5,508	6,197
Tenement expenditure written off	38,555	77,686
Net loss on revaluation of available-for-sale financial assets	-	910,000

Note 4 Equity securities issued

	Half-year		Half-year	
	2009	2008	2009	2008
	Shares	Shares	\$	\$
Issues of ordinary shares during the half-year				
Shares issued	-	-	-	-
Exercise of options issued under the prospectus	-	-	-	-
Share issue expenses (net of income tax)	-	-	-	-
Net increase in contributed equity	-	-	-	-

Note 5 Commitments for expenditure

	31 December 2009	30 June 2009
	\$	\$
Exploration commitments		
Commitments as at 31 December 2009 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	839,438	632,911
Later than one year but not later than 5 years	1,038,342	1,352,952
Later than 5 years	-	-
Commitments not recognised in the financial statements	1,877,780	1,985,863

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

Since the end of the half-year the fair value of the company's investment in available-for-sale financial assets has declined by \$490,000.

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

SUPERIOR RESOURCES LIMITED

DIRECTORS' DECLARATION

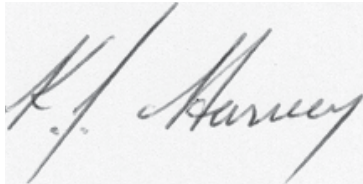
The directors declare that the financial statements and notes set out on pages 1 to 8:

- (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 2009 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. J. Harvey', is written over a light grey rectangular background.

Ken Harvey
Managing Director

Brisbane, 26 February 2010

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”). The half-year financial report comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 designing, implementing 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 2009 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*.

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 2009 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.



Hacketts DFK



**L J Murphy
Partner**

Brisbane, 26 February 2010