

Superior Resources Limited

ABN 72 112 844 407

ANNUAL FINANCIAL REPORT For the year ended 30 June 2018

Contents

Corporate Review	1
Directors' Report	2
Auditor's Independence Declaration	17
Corporate Governance	18
Consolidated Income Statement	19
Consolidated Statement of Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23
Notes to the Consolidated Financial Statements	24
Directors' Declaration	47
Independent Auditor's Report	48

CORPORATE REVIEW

Company Background

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

Superior currently holds a number of exploration permits, four exploration permit applications and a granted mining lease in northern Queensland.

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, porphyry copper-gold and gold properties in the Greenvale area of north eastern Queensland with inferred resources defined for two properties.

Superior is also a party to a farm-in agreement for gold over three granted mining leases at Tick Hill in northwest Queensland.

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 but high grade volcanogenic massive sulphide (VMS) deposits in northeast Queensland and the Proterozoic Tick Hill gold deposits in northwest Queensland. The Company also holds a developing portfolio of battery metals nickel and cobalt projects within its north west and north east Queensland properties.

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 data 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.

Your Directors present their report on the consolidated entity (referred to in this Report as the **Group**) consisting of Superior Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018.

DIRECTORS' REPORT

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 and Company Secretary)
K J Harvey (Non-executive Director)

PRINCIPAL ACTIVITIES

During the year the principal activity of the Group was exploration for base metals, gold and nickel-cobalt in northern Queensland, Australia. There were no significant changes in the nature of the company's activities during the year and no significant activity 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 \$485,087 (2017 loss: \$416,235).

The Company's activities during the full year period were focused on the following activities and events:

- **Nicholson Project** (Zinc, Lead)
 - Teck Australia Pty Ltd (**Teck**) progressed the first year and part of the second-year exploration program under an Earn-In and Joint Venture Agreement.
- **Greenvale Project** (VMS and porphyry copper, gold and zinc)
 - data compilation and modelling of geophysical data in preparation for planning of next stage exploration programs at the Greenvale Project;
 - new tenement application, EPM26165 ("Cockie South"), was granted on 30 January 2017 as an addition to the Greenvale Project;
 - conduct preparations for a 1,422m drilling program at the Greenvale Project.
- **Tick Hill Gold Project** (Gold exploration and tailings facility gold reprocessing)
 - progress metallurgical and scoping assessment of the Tick Hill tailings storage facility.
- **Corporate – Commercial**
 - participated as a shortlisted bidder in a formal sale process for the acquisition of advanced gold projects in Western Australia;
 - 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.
- **Corporate – Capital Raising**
 - conducted two placement capital raising campaigns and a Share Purchase Plan.

GREENVALE PROJECT

The Greenvale Project covers a region of volcanic and intrusive rocks of Ordovician age that are similar in type and age to the porphyry copper belt in New South Wales. The New South Wales belt of rocks host the large Cadia and North Parkes porphyry copper mines.

The Company's Greenvale Project is highly prospective for VMS and porphyry copper, gold, zinc and silver deposits, as well as nickel-cobalt deposits and contains at least eight identified prospects. The

DIRECTORS' REPORT

GREENVALE PROJECT – (continued)

project is located within an area of notable economic significance being proximal to the Kidston, Balcooma, Surveyor and Dry River deposits.

Exploration work during the reporting period focussed on the following:

Exploration drilling:

- Steam Engine Gold Deposit (Gold);
- Bottletree Prospect (Copper);
- Galah Dam Prospect (Gold-Silver-Zinc-Copper);
- One Mile Dam Prospect (Copper-Gold); and
- Lucky Creek Prospect (Nickel-Cobalt).

The drilling programs were aimed to:

- (Steam Engine) – enable completion of an initial gold resource estimate on the main Steam Engine lode;
- (Steam Engine) – extend the known mineralisation and to locate significant widths of higher grade gold within the lesser explored Eastern Ridge lode of the project;
- (Bottletree) – identify broad intersections of copper mineralisation and characterise the mineralisation style;
- (Galah Dam) – target prospective chargeable sources. The Galah Dam prospect is a large plunging alteration zone with similarities to the nearby Balcooma copper, zinc, lead and silver mine. Previous exploration at Galah Dam had identified gold, zinc and copper mineralisation within the alteration zone;
- (One Mile Dam Prospect) – identify the source of an intense and extensive bedrock EM, IP and VTEM geophysical anomaly that is likely to be associated with extensive massive sulphide mineralisation at the nearby One Mile Prospect; and
- (Lucky Creek Prospect) – complete a maiden rotary air-blast (**RAB**) reconnaissance drilling program to identify the source and extent of surface nickel and cobalt geochemical anomalies.

Drilling programs on the Steam Engine, Bottletree, Galah Dam and One Mile Prospects commenced on 10 July 2017 and were completed on 29 July 2017. A total of 1,422 metres were drilled at the four prospects. The program was extended by 422 metres over the initially planned 1,000 metres, partly due to the presence of extensive zones of visible copper mineralisation and strong alteration at the Bottletree Prospect together with strongly altered sulphide and massive sulphide intervals in the single hole at the Galah Dam Prospect.

RAB drilling of the Lucky Creek Prospect commenced on 4 June 2018 and was completed on 18 June 2018. A total of 98 holes totalling 2,108 metres was drilled and confirmed the presence of a well-developed thick lateritic weathering profile on a meta-basalt host rock. Significant cobalt mineralisation of up to 0.11% cobalt were returned from assays of drill samples.

Mineral Resource Estimation:

As a result of the drilling program at the Steam Engine Prospect, the Company developed a maiden JORC (2012)-compliant mineral resource estimate. The mineral resource estimate is of the JORC “inferred” category and totals 1,000,000 tonnes grading at 2.5 grams per tonne for 85,000 ounces of gold. The cut-off grade used in the calculation is 1.0 gram per tonne.

Geophysical Surveys:

- Bottletree Prospect (MIMDAS induced polarisation (**IP**) survey).

The MIMDAS IP survey was conducted during May 2018 and resulted in the identification of large and high order IP chargeability anomalies located beneath extensive near-surface copper mineralisation. A deep diamond drilling program on the Bottletree Prospect was subsequently prepared, based on the

DIRECTORS' REPORT

GREENVALE PROJECT – (continued)

results of the MIMDAS survey. The diamond drilling program was conducted shortly after the end of the reporting period.

New Project Generation:

Desktop reviews of historically available data enabled the Company to generate two new battery metals projects:

- Lucky Creek Prospect; and
- Big Mag Prospect.

The two new nickel and cobalt projects are considered to be strategic projects aimed to capture the active battery metals sector of ASX investors.

NORTH WEST QUEENSLAND – NICHOLSON PROJECT

The Nicholson Project (EPM15670 and EPM18203), located near the Walford Creek lead-zinc-silver-copper deposit, is considered to have the potential to contain sediment-hosted lead-zinc-silver massive sulphide deposits, similar to the Mount Isa and McArthur River deposits.

Teck Australia Pty Ltd, a wholly-owned subsidiary of Canada's largest diversified resource company, Teck Resources Limited, continued exploration work on the Nicholson Project (**Project**) during the first half of the reporting period, under an Earn-in and Joint Venture Agreement (**Agreement**) with the Company.

The Agreement was entered into during October 2015 and under the terms of the Agreement, Teck has an exclusive right to earn a 70% interest in the Project by spending \$2,500,000 in accordance with the following structure:

- (Initial Period) – incurring \$250,000 minimum expenditure: to be spent on exploration by 30 September 2016; and
- (Earn-In Period) – incurring \$2,250,000 in optional expenditure on or before the 31 December 2018.

On 24 May 2018, Teck notified the Company of its withdrawal from the Agreement.

At the end of the full year to 30 June 2018, Teck had spent an approximate total of \$600,000 on the Project.

The effect of Teck's withdrawal from the Agreement is the Company's assumption of full control and access to the rights and obligations attached to EPM15670 and EPM18203.

New Project Generation:

Desktop reviews of historically available data enabled the Company to generate two new battery metals projects within the Nicholson Project tenements and at another location in north west Queensland:

- Walford Creek West Prospect; and
- Victor Extended Project.

The generation of the Victor Extended Project resulted in the application by the Company for two new exploration permits for minerals (**EPM**) during late December 2017:

- EPM26720; and
- EPM26771.

CORPORATE and COMMERCIAL

TICK HILL GOLD PROJECT

On 4 June 2018, the Company entered into a binding Terms Sheet with Carnaby Resources Limited (**Carnaby**) and Diatrema Resources Limited (**DRX**) (**Terms Sheet**), which grants Carnaby an option to

DIRECTORS' REPORT

CORPORATE and COMMERCIAL – (continued)

acquire 100% of the Tick Hill Gold Project (**Project**), located approximately 150 kms SSE of Mount Isa, Queensland.

Consideration for the sale will comprise fully paid ordinary shares in Carnaby upon Carnaby's admission to the Official List of the ASX via an upcoming initial public offering (**IPO**). Carnaby is seeking to raise between \$10 million and \$15 million under the IPO. The Company will receive 1.5% of the total capitalisation of Carnaby upon listing, comprising a minimum of 1,075,000 shares and a maximum of 1,500,000 shares priced at \$0.25 per share (valued at up to \$375,000), depending on the level of subscriptions under the IPO. DRX will receive a minimum of 3,225,000 and a maximum of 4,500,000 Carnaby shares.

Superior's current interest in the Project is an earn-in interest under an Exploration Farm-in and Joint Venture Agreement (**JV Agreement**) with DRX. Under the JV Agreement, Superior may earn a 50% interest in the project by:

- spending a minimum of \$750,000 on exploration;
- paying DRX \$100,000; and
- paying DRX 50% of the environmental bond (current bond totals \$298,000).

To date, Superior has spent approximately \$350,000 on the Project and has not met its earn-in requirements. But for the Carnaby transaction, the JV Agreement will have terminated on 31 December 2017.

As a result of the expenditure to date, Superior holds a 50% interest in the surface gold (separate from any interest in the tenements), comprising mainly the residual gold contained in the Tick Hill Tailings Ponds (630,000t @ 1.08 g/t Au, for 22,000 ounces (@ 0.5 g/t cut-off grade)).

The results of a scoping study and additional work by Superior during 2016 did not result in defining a pathway to viable extraction of the residual gold contained in the tailings.

For the purposes of the Terms Sheet, Superior's interest in the Project is deemed to be a 25% beneficial interest with DRX's interest deemed to be a 100% legal interest and a 75% beneficial interest.

Key terms of Terms Sheet:

Under the Terms Sheet, Superior and DRX separately grant Carnaby an option to acquire 100% of each party's interests subject to the following key conditions:

- each option must be concurrently exercised on or before 30 June 2018;
- Carnaby must lodge a prospectus with ASIC and raise a minimum of \$10,000,000 and up to \$15,000,000 (before costs) via the IPO;
- any escrow of the consideration shares is not more than 12 months; and
- Carnaby must receive approval to be admitted to the Official List of the ASX within 120 days of signing the Terms Sheet.

Carnaby exercised its option under the Terms Sheet on 28 June 2018.

DIRECTORS' REPORT

CAPITAL RAISING

Placement and Rights Issue

The Company announced a capital raising campaign on 17 January 2018, comprising a placement and a non-renounceable 1 for 4 rights issue to raise up to \$1.863 million for exploration at its new cobalt and other prospects at the Greenvale Project and north west Queensland zinc-lead-copper projects.

The placement and rights issue were both offered at 0.9 cents per new share, with one free attaching option for every two new shares subscribed for. The options have an exercise price of \$0.016 and expire on 31 August 2019.

Both the placement and rights issue were significantly oversubscribed.

The placement closed on 22 January 2018, raising a total of \$625,619 through the issue of 69,513,224 new shares and 34,756,609 options.

The rights issue closed on 9 March 2018, raising a total of \$1,238,478 through the issue of 137,608,712 new shares and 68,804,316 options.

CASH CONSERVATION

The Company's Board continues to maintain the current cash conservation measures with respect to the Company's operations and administration.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

During the year the company completed capital raisings totalling \$1,943,536 comprising 17,500,000 ordinary shares issued to Directors in lieu of accrued remuneration in December 2017, placement of 69,513,224 ordinary shares issued to sophisticated investors in January 2018 and a rights issue (one new share for every four shares held in the Company on 30 January 2018) of 137,608,712 ordinary shares issued to existing shareholders in March 2018.

The Company further issued 103,560,925 options, being one free option for every two shares issued under the placement and rights issue. These options have an exercise price of 1.6 cents per share and expire on 31 August 2019.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no matters or circumstances that have arisen since 30 June 2018 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.

INFORMATION ON DIRECTORS

Peter Henry Hwang B.Sc(Hons), LLB, MAIG, MGSA, MQLS *Managing director. Age 49*

Experience and expertise

Originally a gold, base metals and diamond exploration geologist, Mr Hwang worked as a solicitor for 18 years in national and Queensland law firms specialising in resources, commercial 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.

Interests in shares and options

35,097,467 ordinary shares in Superior Resources Limited.

7,759,746 options over unissued ordinary shares in Superior Resources Limited.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS (continued)

Carlos Alberto Fernicola B.Com, FCA, F Fin FCIS FGIA *Chairman. Age 57*

Graduate Diploma Advanced Accounting, Graduate Diploma Applied Finance and Investments,
Graduate Diploma Corporate Governance and Graduate Certificate Financial Planning.

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.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chairman and Company Secretary.
Member of the Audit Committee.

Interests in shares and options

35,624,999 ordinary shares in Superior Resources Limited.

7,312,499 options over unissued ordinary shares in Superior Resources Limited.

Kenneth James Harvey M.Sc, MAusIMM, MAIG, MSEG, MGSA. *Non-executive Director. Age 73*

Experience and expertise

Mr Harvey has 48 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

Member of the Audit Committee.

Interests in shares and options

31,193,040 ordinary shares in Superior Resources Limited.

3,119,304 options over unissued ordinary shares in Superior Resources Limited.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS (continued)

Company Secretary

The Company Secretary is Mr Carlos Alberto Fernicola B.Com, FCA, FFin FCIS FGIA. 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 2018, 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	4	4
CA Fernicola	4	4
KJ Harvey	4	4

Audit Committee

<i>Director</i>	<i>Meetings eligible to attend</i>	<i>Meetings attended</i>
CA Fernicola	2	2
KJ Harvey	2	2

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The Directors are pleased to present your Group's 2018 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 2017 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 8 to 9 for details about each director)</i>	
PH Hwang CA Fernicola KJ Harvey	
<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

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 2017 Annual General Meeting*

The 2017 remuneration report was passed by a show of hands and had less than 25% proxy votes cast against it. The company did not receive any feedback at the AGM or throughout the year on its remuneration practices.

(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

REMUNERATION REPORT (AUDITED) (continued)

2018	Short-term benefits	Post- employment benefits	Share- based payments	
Name	Cash salary and fees \$	Superannuation \$	Options \$	Total \$
<i>Non-executive directors</i>				
CA Fernicola	24,000	-	-	24,000
KJ Harvey	39,726	3,774	-	43,500
<i>Other key management personnel</i>				
CA Fernicola (Company Secretary)	24,000	-	-	24,000
Sub-total non-executive directors and other key management personnel	87,726	3,774	-	91,500
<i>Executive directors</i>				
PH Hwang - Managing Director	211,000	20,045	-	231,045
Totals	298,726	23,819	-	322,545

2017	Short-term benefits	Post- employment benefits	Share- based payments	
Name	Cash salary and fees \$	Superannuation \$	Options \$	Total \$
<i>Non-executive directors</i>				
CA Fernicola	24,000	-	-	24,000
KJ Harvey	21,918	2,082	-	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	69,918	2,082	-	72,000
<i>Executive directors</i>				
PH Hwang - Managing Director	211,000	20,045	-	231,045
Totals	280,918	22,127	-	303,045

DIRECTORS' REPORT

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 2018 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 and options 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.

Ordinary Shares

<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					
PH Hwang	18,077,974	-	17,019,493	-	35,097,467
CA Fernicola	23,500,000	-	12,124,999	-	35,624,999
KJ Harvey	22,454,432	-	8,738,608	-	31,193,040

Options Over Unissued Ordinary Shares

<i>Name</i>	<i>Balance at the start of the year</i>	<i>Options Exercised</i>	<i>Net purchased / (sold)</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>
Directors of Superior Resources Limited					
PH Hwang					
16 Dec-16	4,250,000	-	-	-	4,250,000
16 Mar-18	-	-	3,509,746	-	3,509,746
CA Fernicola					
16 Dec-16	3,750,000	-	-	-	3,750,000
16 Mar-18	-	-	3,562,499	-	3,562,499
KJ Harvey					
16 Mar-18	-	-	3,119,304	-	3,119,304

All options are vested and exercisable.

(l) Loans to key management personnel

There were no loans to key management personnel during the financial period.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

(m) *Other transactions with key management personnel*

There were no other transactions with key management personnel.

End of Remuneration Report

DIRECTORS' REPORT

SHARES UNDER OPTION

Unissued ordinary shares under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price	Share options 30 June 2018	Share options 30 June 2017
16/12/2016	30/6/2019	\$0.030	37,375,000	37,375,000
22/01/2018	31/08/2019	\$0.016	34,756,609	-
16/03/2018	31/08/2019	\$0.016	53,117,101	-
27/03/2018	31/08/2019	\$0.016	15,687,215	-

During the year ended 30 June 2018, 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 \$15,000 to insure the Directors and Secretary 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 any 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*.

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

DIRECTORS' REPORT

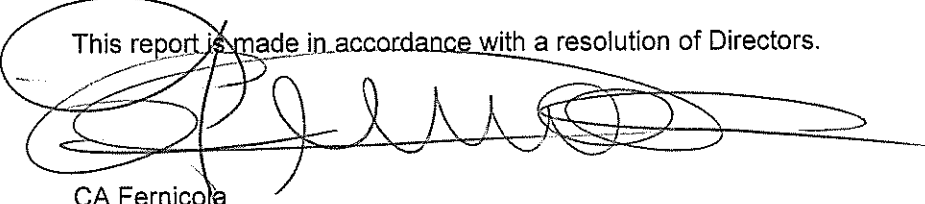
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

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, 7th day of September 2018

**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 2018, 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



Liam Murphy
Partner

Brisbane, 7th September 2018

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.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
Other income	8	678	2,690
Accounting and audit fees		(36,353)	(35,290)
Administration expenses		(385,543)	(355,221)
Depreciation and amortisation		(3,422)	(3,904)
Impairment of available-for-sale exploration expenditure	14	(22,939)	-
Office rent and outgoings		(14,150)	(22,032)
Tenement expenditure written off	14	(29,133)	(21,728)
Loss before income tax		(490,862)	(435,485)
Income tax (expense) / benefit	9	5,775	19,250
Loss after tax for the year from continuing operations attributable to owners of Superior Resources Limited		<u>(485,087)</u>	<u>(416,235)</u>
		 Cents	 Cents
Earnings (loss) per share			
Basic earnings (loss) per share	29	(0.08)	(0.12)
Diluted earnings (loss) per share	29	(0.08)	(0.12)

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 2018

	Note	2018 \$	2017 \$
Loss for the year from continuing operations attributable to owners of Superior Resources Limited		(485,087)	(416,235)
Other comprehensive income for the year, net of tax		15,225	50,750
Total comprehensive income/(loss) for the year, net of tax, attributable to owners of Superior Resources Limited		(469,862)	(365,485)

The accompanying notes form part of these financial statements.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	886,368	445,007
Trade and other receivables	11	89,529	60,059
Available-for-sale financial assets	12	119,000	98,000
Assets classified as held for sale	14	375,000	-
Total Current Assets		<u>1,469,897</u>	<u>603,066</u>
Non-Current Assets			
Property, plant and equipment	13	12,482	13,024
Exploration expenditure	14	3,588,615	3,116,578
Other	16	28,000	27,500
Total Non-Current Assets		<u>3,629,097</u>	<u>3,157,102</u>
Total Assets		<u>5,098,994</u>	<u>3,760,168</u>
LIABILITIES			
Current Liabilities			
Payables	17	318,420	262,646
Total Current Liabilities		<u>318,420</u>	<u>262,646</u>
Non-Current Liabilities			
Payables	17	44,666	235,288
Total Non-Current Liabilities		<u>44,666</u>	<u>235,288</u>
Total Liabilities		<u>363,086</u>	<u>497,934</u>
Net Assets		<u>4,735,908</u>	<u>3,262,234</u>
Equity			
Contributed equity	19	10,975,213	9,031,677
Reserves	20	65,975	50,750
Retained profits (accumulated losses)	21	(6,305,280)	(5,820,193)
Total Equity		<u>4,735,908</u>	<u>3,262,234</u>

The accompanying notes form part of these financial statements.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Contributed equity \$	Reserves \$	Retained profits (accumulated losses) \$	Total \$
Balance at 30 June 2016	7,876,230	-	(5,403,958)	2,472,272
Loss for the year	-	-	(416,235)	(416,235)
Other comprehensive income / (loss)	-	50,750	-	50,750
Total comprehensive income for the year	-	50,750	(416,235)	(365,485)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,155,447	-	-	1,155,447
Balance at 30 June 2017	9,031,677	50,750	(5,820,193)	3,262,234
Loss for the year	-	-	(485,087)	(485,087)
Other comprehensive income	-	15,225	-	15,225
Total comprehensive income for the year	-	15,225	(485,087)	(469,862)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,943,536	-	-	1,943,536
Balance at 30 June 2018	10,975,213	65,975	(6,305,280)	4,735,908

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers (GST inclusive)		40,373	21,900
Payments to suppliers and employees (GST inclusive)		(550,945)	(372,262)
Interest received		678	2,690
Net cash inflow(outflow) from operating activities	28	(509,894)	(347,672)
Cash flows from investing activities			
Payments for exploration expenditure		(825,994)	(339,022)
Payments for property, plant and equipment		(2,880)	(3,218)
Payment/(refund) of security deposits		(500)	(2,500)
Net cash inflow(outflow) from investing activities		(829,374)	(344,740)
Cash flows from financing activities			
Proceeds on issue of shares		1,864,198	1,079,864
Payment of capital raising costs		(83,569)	(60,917)
Proceeds of loan from related party		-	20,000
Net cash inflow(outflow) from financing activities		1,780,629	1,038,947
Net increase (decrease) in cash held		441,361	346,535
Cash at beginning of financial year		445,007	98,472
Cash at the end of financial year	10	<u>886,368</u>	<u>445,007</u>

Non-cash financing activities

Refer to note 19(a).

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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:

Unit 8, 61 Holdsworth Street
Coorparoo QLD 4151
Ph 07 3847 2887

The principal place of business of the Company is:

Unit 8, 61 Holdsworth Street
Coorparoo QLD 4151
Ph 07 3847 2887

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 7th September 2018.

(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 2018**

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. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue is recognised when it is received or when the right to receive payment is established.

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 2018

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 2018**

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 and 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 2018

2. Significant Accounting Policies (continued)

(m) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) 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 2018

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 2018**

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 year ended 30 June 2018.

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Management has assessed the effects of applying the new standard on the group's financial statements and has concluded that there are no areas that will be materially affected.

AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AAB 118 which covers revenue arising from the sale of goods and rendering of services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The Standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the group's financial statements and has concluded that there are no areas that will be materially affected.

AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

AASB 16 will not apply to leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources.

Management has assessed the effects of applying the new standard and as the Company does not currently have any long-term leases, there will be no impact.

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 2018**

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 asset and liabilities:

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	886,368	445,007
Trade and other receivables	89,529	60,059
Available-for-sale financial assets	119,000	98,000
	<u>1,094,897</u>	<u>603,066</u>
Financial liabilities		
Trade and other payables	363,086	497,934
	<u>363,086</u>	<u>497,934</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).

	2018	2017
	\$	\$
Cash at bank and short-term bank deposits	886,368	445,007
	<u>886,368</u>	<u>445,007</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 2018

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 \$4 (2017: \$34,839) 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 2018	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	283,876	34,544	44,666	-	-	363,086	363,086
	283,876	34,544	44,666	-	-	363,086	363,086
At 30 June 2017							
Trade and other payables	239,663	22,983	235,288	-	-	497,934	497,934
	239,663	22,983	235,288	-	-	497,934	497,934

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% (2017 – 25%) from balance date fair value with all other variables held constant.

	Impact on post-tax loss				Impact on reserves			
	2018		2017		2018		2017	
	\$	\$	\$	\$	\$	\$	\$	\$
	+25%	-25%	+25%	-25%	+25%	-25%	+25%	-25%
Investment in Deep Yellow Limited	8,181	(8,181)	6,737	(6,737)	21,569	(21,569)	17,763	(17,763)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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 non-current exploration expenditure of \$3,588,616 (2017: \$3,116,578). 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 asset 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.

6. Going concern

Notwithstanding that the Group incurred an operating loss after tax of \$485,087 (2017: loss of \$416,235) these financial statements have been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of the consolidated entity to continue as a going concern is dependent upon one or more of the following:

- achieving sufficient future cash flows from operations to enable its obligations to be met;
- the success of cost saving initiatives, which include entering into Joint Venture arrangements and reducing tenement areas, so as to reduce the carrying and expenditure costs for tenements;
- cash flows from the sale of any of the Group's assets; and
- obtaining additional funding from capital raising activities.

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 addition, the Directors have agreed to retain 50% of their salary payments in the interests of facilitating the consolidated entity to continue as a going concern.

The Directors are confident of being able to secure additional funding and believe the entity is a going concern and will be able to pay its debts as and when they fall due and payable.

At the date of this report and having considered the above factors, the Directors are confident that the Group will be able to continue as a going concern.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

6. Going concern (continued)

In the event that the Group is unable to satisfy future funding requirements, a material uncertainty would arise 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.

7. Segment information

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

	2018	2017
	\$	\$
8. Other income		
Interest	678	2,690
9. Income tax		
	2018	2017
	\$	\$
(a) Numerical reconciliation of income tax expense / (benefit) to prima facie tax payable		
Profit (loss) from continuing operations before income tax expense	(490,862)	(435,485)
Tax at the Australian tax rate of 27.5%	(134,987)	(119,758)
Tax effect of non-deductible impairment loss	6,308	-
Recognition of deferred tax assets not previously recognised	(5,775)	(19,250)
Adjustments for current tax of prior years	-	(662)
Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	128,679	120,420
Income tax expense / (benefit)	(5,775)	(19,250)
(b) Tax adjustment relating to items of other comprehensive income		
Available-for-sale financial assets – fair value adjustment	5,775	19,250
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	7,249,931	6,731,323
Potential tax benefit at 27.5% (note 15)	1,993,731	1,851,114
(d) Franking credits		
Franking credits available for use in subsequent financial years based on a tax rate of 27.5%	251,146	251,146

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	\$	\$
10. Current assets - Cash and cash equivalents		
Cash at bank and on hand	886,368	445,007
	2018	2017
	\$	\$
11. Current assets - Trade and other receivables		
Other receivables	25,604	10,818
Prepayments	63,925	49,241
	89,529	60,059
	2018	2017
	\$	\$
12. Current assets – Available-for-sale financial assets		
Listed equity securities	119,000	98,000
At beginning of year	98,000	28,000
Revaluation increment recognised in reserves	21,000	70,000
At end of year	119,000	98,000
	2018	2017
	\$	\$
13. Non-current assets – Property, plant and equipment		
Equipment / software – at cost	85,337	82,457
Accumulated depreciation	(72,855)	(69,433)
	12,482	13,024
	Equipment / Software	
	\$	
Year ended 30 June 2018		
Opening net book amount	13,024	
Additions	2,880	
Depreciation charge	(3,422)	
Closing net book amount	12,482	
Year ended 30 June 2017		
Opening net book amount	13,710	
Additions	3,218	
Depreciation charge	(3,904)	
Closing net book amount	13,024	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

14. Exploration expenditure

	2018 \$	2017 \$
Exploration phase property costs		
Deferred geological, geophysical, drilling and other expenditure – at cost		
Current – assets classified as held for sale (i)	375,000	-
Non-current	3,588,615	3,116,578
Total capitalised exploration expenditure	3,963,615	3,116,578

The capitalised exploration expenditure carried forward above has been determined as follows:

Opening balance	3,116,578	2,835,635
Expenditure incurred during the year	899,109	302,671
Exploration abandoned	(29,133)	(21,728)
Impairment loss – available for sale exploration expenditure (i)	(22,939)	-
Closing balance	3,963,615	3,116,578

(i) Capitalised exploration expenditure of \$375,000 after impairment loss write-down of \$22,939 relating to the Tick Hill Gold Project has been classified as a held for sale current asset. Refer to note 22 for further information.

15. Non-current assets – Deferred tax assets

	2018 \$	2017 \$
Deferred tax assets	-	-
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Accruals	14,454	17,395
Employee entitlements	9,500	6,320
Business capital costs	27,071	25,570
Tax losses	2,996,249	2,626,026
<i>Amounts recognised in equity</i>		
Business capital costs	28,204	24,993
Tax losses	57,558	41,059
Total deferred tax assets	3,133,036	2,741,363
Set-off of deferred tax assets/liabilities pursuant to set-off provisions (note 18)	(1,139,305)	(890,249)
Net adjustment to deferred tax assets for tax losses not recognised	(1,993,731)	(1,851,114)
Net deferred tax assets	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

	Accruals \$	Employee entitlements \$	Business capital costs \$	Tax losses incurred \$	Total \$
At 30 June 2016	28,421	9,203	42,240	2,675,142	2,755,006
(Charged)/credited to profit or loss	(11,026)	(2,883)	4,481	(18,736)	(28,164)
(Charged)/credited to contributed equity	-	-	3,842	10,679	14,521
At 30 June 2017	17,395	6,320	50,563	2,667,085	2,741,363
(Charged)/credited to profit or loss	(2,941)	3,180	1,500	370,223	371,962
(Charged)/credited to contributed equity	-	-	3,212	16,499	19,711
At 30 June 2018	14,454	9,500	55,275	3,053,807	3,133,036

	2018 \$	2017 \$
16. Non-current assets – Other		
Security deposits	28,000	27,500

	2018 \$	2017 \$
17. Payables		
Current liabilities		
Trade payables	93,355	86,478
Other payables	45,622	35,528
Other payables – related party (i)	144,899	117,657
Employee entitlements	34,544	22,983
	318,420	262,646
Non-current liabilities		
Other payables – related party (ii)	44,666	235,288
	44,666	235,288
Total Payables	363,086	497,934

(i) These amounts represent the unpaid directors' remuneration that may be called within the next 12 months. The liability is unsecured and no decision has been made by the directors on the timing or nature of the consideration to be provided in settlement.

(ii) These amounts represent the unpaid directors' remuneration for periods to 30 June 2016. The directors have agreed that they will not call upon the payment of this balance outstanding for a period of not less than 12 months from the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
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	1,096,303	857,059
Investment	(2,175)	(2,175)
Prepayments	17,579	13,542
Property, plant and equipment	2,573	2,573
<i>Amounts recognised in other comprehensive income</i>		
Available-for-sale financial assets	25,025	19,250
Total deferred tax liabilities	1,139,305	890,249
Set-off of deferred tax assets/liabilities pursuant to set-off provisions (note 15)	(1,139,305)	(890,249)
Net deferred tax liabilities	-	-

	Exploration expenditure \$	Available -for-sale financial assets \$	Prepayments \$	Property, plant and equipment \$	Total \$
At 30 June 2016	850,690	(2,372)	15,376	2,807	866,501
Charged/(credited) to profit or loss	6,369	197	(1,834)	(234)	4,498
Charged /(credited) to other comprehensive income	-	19,250	-	-	19,250
At 30 June 2017	857,059	17,075	13,542	2,573	890,249
Charged/(credited) to profit or loss	239,244	-	4,037	-	243,281
Charged /(credited) to other comprehensive income	-	5,775	-	-	5,775
At 30 June 2018	1,096,303	22,850	17,579	2,573	1,139,305

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 \$	2017 \$
19. Contributed equity		
688,043,740 (2017: 463,421,804) ordinary shares fully paid	10,975,213	9,031,677

(a) Movements in ordinary share capital

<i>Date</i>	<i>Details</i>	<i>Number of shares</i>	<i>Issue Price \$</i>	<i>\$</i>
At 30 June 2016	Balance	249,762,372		7,876,230
14 Jul-16	Shares issued	29,375,000	0.0080	235,000
16 Dec-16	Shares issued	8,000,000	0.0080	64,000
20 Dec-16	Shares issued	83,600,000	0.0050	418,000
20 Dec-16	Shares issued	5,800,000	0.0050	29,000
11 May-17	Shares issued	86,884,432	0.0055	477,864
	Share issue expenses			(68,417)
At 30 June 2017	Balance	463,421,804		9,031,677
14 Dec-17	Shares issued (i)	17,500,000	0.0086	151,116
22 Jan-18	Shares issued (ii)	69,513,224	0.0090	625,619
16 Mar-18	Shares issued (iii)	106,234,248	0.0090	956,108
27 Mar-18	Shares issued (iv)	31,374,464	0.0090	282,370
	Share issue expenses			(71,677)
		688,043,740		10,975,213

A total of \$1,943,536 was raised of which \$1,792,420 was received as cash (net of share issue costs of \$71,677) and \$151,116 was received by way of offset against amounts owing to related parties.

- (i) Shares issued to directors in lieu of amounts owing for accrued remuneration.
- (ii) Share placement to sophisticated investors. Shareholders who subscribed under the placement also received one free attaching option for every two entitlement shares issued, with each option having an exercise price of 1.6 cents and expiring on 31 August 2019.
- (iii) Rights issue on a pro-rata basis of one new share for every four ordinary fully paid shares held in the Company on 30 January 2018. Shareholders who subscribed under the rights issue also received one free attaching option for every two entitlement shares issued, with each option having an exercise price of 1.6 cents and expiring on 31 August 2019.
- (iv) Rights issue shortfall with free attaching option as per (iii) above.

(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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

19. Contributed equity continued

(c) Share options

<i>Date</i>	<i>Details</i>	<i>Number of options</i>	<i>Weighted Average Exercise Price \$</i>	<i>Expiry</i>
At 30 June 2016	Balance	-	-	
16 Dec-16	Options issued	37,375,000	0.030	30 Jun-19
At 30 June 2017	Balance	37,375,000	0.030	
22 Jan-18	Options issued	34,756,609	0.016	31 Aug-19
16 Mar-18	Options issued	53,117,101	0.016	31 Aug-19
27 Mar-18	Options issued	15,687,215	0.016	31 Aug-19
At 30 June 2018	Balance	<u>140,935,925</u>	<u>0.020</u>	

Refer to note 19(a) for details of options issued during the financial year.

The lead manager to the share placement and rights issue undertaken in January to March 2018 will receive 10 million options, having the same terms as options issued under the placement and rights issue. An amount of \$100 has been received in advance as consideration for the issue of these options. These options have not yet been issued.

(d) 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 2018 totals \$nil (2017: \$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.

	2018	2017
	\$	\$
20. Reserves		
Available-for-sale investments revaluation reserve	<u>65,975</u>	<u>50,750</u>
At beginning of year	50,750	-
Revaluation increment (note 12)	21,000	70,000
Income tax @ 27.5%	(5,775)	(19,250)
At end of year	<u>65,975</u>	<u>50,750</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	\$	\$
21. Retained profits (accumulated losses)		
Retained profits / (accumulated losses)	(6,305,280)	(5,820,193)
At beginning of year	(5,820,193)	(5,403,958)
Net profit / (loss) for the year	(485,087)	(416,235)
At end of year	(6,305,280)	(5,820,193)

22. Joint venture entities

Tick Hill Gold Project (THGP)

On 17 June 2013, the consolidated entity entered into an Exploration Farm-In and Joint Venture Agreement (JVA) over the THGP with Diatreme Resources Limited (DRX). Under the JVA the consolidated entity had the right to earn a 50% interest in the THGP by spending a minimum of \$750,000 on exploration, paying DRX \$100,000 and paying DRX an amount equal to 50% of the government security bond on the mining leases. The original Earn-in Period ended on 31 December 2016 and was extended by mutual agreement until 31 December 2017.

The consolidated entity has not met its earn-in requirements to date. As a result of expenditure incurred to date the consolidated entity holds a 50% interest in the surface gold, comprising mainly the residual gold in the Tick Hill tailings ponds.

On 5 June 2018 it was announced that Superior Resources Limited has entered into a binding terms sheet with Carnaby Resources Limited (Carnaby) and DRX for the sale of THGP. For the purpose of the terms sheet the consolidated entity's interest in THGP is deemed to be a 25% beneficial interest, with DRX's interest deemed to be a 100% legal interest and a 75% beneficial interest.

Under the terms sheet Carnaby must lodge a prospectus with ASIC and raise a minimum of \$10m and up to \$15m (before costs) via an initial public offering (IPO) and must receive approval to be admitted to the Official List of the ASX with 120 days of signing the terms sheet. Superior Resources Limited will receive 1.5% of the total capitalisation of Carnaby upon listing, comprising a minimum of 1,075,000 shares and a maximum of 1,500,000 shares priced at \$0.25 per share, depending on the level of subscriptions under the IPO.

At 30 June 2018 THGP capitalised exploration expenditure of \$397,939 has been written down to fair value less costs of disposal of \$375,000 resulting in an impairment loss of \$22,939. The fair value of the THGP capitalised exploration expenditure is classified as a level 3 fair value and reflects the Directors' assessment of the likelihood that the IPO will be fully subscribed.

Nicholson Project

On 3 November 2015 the consolidated entity entered into a Farm-in and Joint Venture Agreement (the Agreement) with Teck Australia Pty Ltd (Teck Australia) to explore Superior's Nicholson Project (zinc-lead-copper) in north-west Queensland, subject to certain conditions to be satisfied.

Under the Agreement, Teck Australia had an exclusive right to earn a 70% interest in the project tenements by spending \$2,500,000 in accordance with the following structure:

- Initial Period - incurring \$250,000 minimum expenditure to be spent on exploration or paid in cash to Superior Resources by 30 September 2016 (subsequently extended to 31 December 2016); and
- Earn-In Period - incurring \$2,250,000 in operational expenditure before 31 December 2018.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

22. Joint venture entities continued

During November 2016 Teck Australia confirmed that it had completed the \$250,000 expenditure for the Initial Period per the Agreement and that it would commit to the Earn-In Period requiring expenditure of a further \$2,250,000 on or before 31 December 2018.

In May 2018 Teck Australia notified Superior Resources Limited that it has withdrawn from the Farm-in and Joint Venture Agreement. The consolidated entity has resumed control of the Nicholson project tenements.

23. Key Management Personnel disclosures

(a) Key management personnel compensation

	2018	2017
	\$	\$
Short-term employee benefits	298,726	280,918
Post-employment benefits	23,819	22,127
	<u>322,545</u>	<u>303,045</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 14.
At 30 June 2018 \$210,840 remains payable (2017: \$396,945).

(b) Equity instrument disclosures relating to key management personnel

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

There have been no options granted affecting remuneration in the current or a future reporting period.

(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, is set out below.

<i>Name</i>	<i>Balance at the start of the year</i>	<i>Options Exercised</i>	<i>Net purchased / (sold)</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>
Directors of Superior Resources Limited					
PH Hwang					
16 Dec-16	4,250,000	-	-	-	4,250,000
16 Mar-18	-	-	3,509,746	-	3,509,746
CA Fernicola					
16 Dec-16	3,750,000	-	-	-	3,750,000
16 Mar-18	-	-	3,562,499	-	3,562,499
KJ Harvey					
16 Mar-18	-	-	3,119,304	-	3,119,304

All options are vested and exercisable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 of Superior Resources Limited and other key management personnel of the Group, including their personally related parties, is set out below.

2018	<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					
PH Hwang	18,077,974	-	17,019,493	-	35,097,467
CA Fernicola	23,500,000	-	12,124,999	-	35,624,999
KJ Harvey	22,454,432	-	8,738,608	-	31,193,040
2017					
	<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					
PH Hwang	6,677,974	-	11,400,000	-	18,077,974
CA Fernicola	10,340,000	-	13,160,000	-	23,500,000
KJ Harvey	19,454,432	-	3,000,000	-	22,454,432

24. Remuneration of auditors

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

	2018	2017
	\$	\$
<i>PKF Hacketts Audit</i>		
Audit or review of financial report	30,500	29,000
	<u>30,500</u>	<u>29,000</u>

25. Contingencies

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 2018, are as follows:

	2018 \$	2017 \$
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	831,861	741,767
Payable between one and five years	1,779,132	2,127,895
	<u>2,610,993</u>	<u>2,869,662</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 \$28,000 (2017: \$27,500) are currently held by the relevant governing authorities to ensure compliance with granted tenement conditions.

27. Events occurring after the balance date

No 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 2018.

28. Reconciliation of profit / (loss) after income tax to net cash flows from operating activities

	2018 \$	2017 \$
Profit / (loss) for the year after income tax	(485,087)	(416,235)
Depreciation and amortisation	3,422	3,904
Exploration abandoned	29,133	21,728
Impairment of available-for-sale exploration expenditure	22,939	-
Income tax	(5,775)	(19,250)
Changes in operating assets and liabilities:		
(Increase) / decrease in other receivables	(14,786)	3,291
(Increase) / decrease in prepayments	(6,006)	(2,567)
Increase/(decrease) in trade payables	(30,884)	(12,411)
Increase/(decrease) in other payables - current	(34,411)	81,561
Increase / (decrease) in employee entitlements	11,561	(7,693)
Net cash outflow from operating activities	<u>(509,894)</u>	<u>(347,672)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

29. Earnings (loss) per share

	2018 Cents	2017 Cents
(a) Basic earnings (loss) per share		
Profit (loss) attributable to the ordinary equity holders of the company	(0.08)	(0.12)
(b) Diluted earnings (loss) per share		
Profit (loss) attributable to the ordinary equity holders of the company	(0.08)	(0.12)
	2018 \$	2017 \$
(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	(485,087)	(416,235)
Diluted earnings(loss) per share		
Profit (loss) attributable to ordinary equity holders of the company used in calculating diluted earnings per share	(485,087)	(416,235)
	2018 Number	2017 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	614,721,016	341,820,745
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	614,721,016	341,820,745

Unissued ordinary shares under option are not included in the calculation of diluted earnings per share because they are antidilutive for the years ended 30 June 2018 and 30 June 2017. These shares under option could potentially dilute basic earnings per share in the future.

30. Related party disclosures

(a) Parent entity

The parent entity within the Group is Superior Resources Limited.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

30. Related party disclosures

(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	
		2018	2017	2018 \$	2017 \$
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.

31. Parent entity information

(a) Summary financial information

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

	2018 \$	2017 \$
Statement of financial position		
Assets		
Current assets	1,454,878	587,994
Non-current assets	3,649,431	3,176,308
Total assets	5,104,309	3,764,302
Liabilities		
Current liabilities	318,420	262,646
Non-current liabilities	44,666	235,288
Total liabilities	363,086	497,934
Net assets	4,741,223	3,266,368
Shareholders' equity		
Issued capital	10,975,213	9,031,677
Reserves	65,975	50,750
Retained profits/(accumulated losses)	(6,299,965)	(5,816,059)
	4,741,223	3,266,368
Statement of profit or loss and other Comprehensive Income		
Loss for the year	(483,906)	(416,055)
Other comprehensive income/(loss) net of tax	15,225	50,750
Total comprehensive income/(loss) for the year	(468,681)	(365,305)

(b) Contingent liabilities and commitments of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

The commitments of the parent entity are as disclosed at note 26 for the Group.

DIRECTORS' DECLARATION

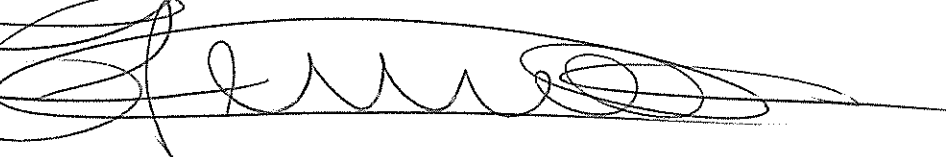
In the Directors' opinion:

1. the financial statements and notes set out on pages 19 to 46, 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 2018 and of its performance for the financial year ended on that date, and
2. having regard to note 6 to the financial statements, 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.

A large, stylized handwritten signature in black ink, appearing to read 'CA Fernicola', is written over a horizontal line.

CA Fernicola
Chairman

Brisbane, 7th September 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUPERIOR RESOURCES LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Superior Resources Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2018 the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement 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 the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of Superior Resources Limited is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Emphasis of matter

Without modifying our opinion expressed above, we draw attention to Note 6 of the financial statements which indicates that the consolidated entity incurred losses of \$485,087 and operating cash outflows of \$509,894 for the year ended 30 June 2018. These conditions, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Independence

We are independent of the consolidated entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

Carrying value of capitalised exploration expenditure

Why significant

As at 30 June 2018 the carrying value of exploration and evaluation assets was \$3,963,615 (2017: \$3,116,578), as disclosed in Note 14. This represents 78% of total assets of the consolidated entity.

The consolidated entity's accounting policy in respect of exploration and evaluation expenditure is outlined in Note 2 (j). Significant judgement is required:

- in determining whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6"); and
- in determining the treatment of exploration and evaluation expenditure in accordance with AASB 6, and the consolidated entity's accounting policy. In particular:
 - whether the particular areas of interest meet the recognition conditions for an asset; and
 - which elements of exploration and evaluation expenditures qualify for capitalisation for each area of interest.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- to assess whether there are indicators of impairment:
 - assessing whether the rights to tenure of the areas of interest remained current at balance date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future;
 - holding discussions with the directors and management as to the status of ongoing exploration programmes for the areas of interest, as well as assessing if there was evidence that a decision had been made to discontinue activities in any specific areas of interest; and
 - obtaining and assessing evidence of the consolidated entity's future intention for the areas of interest, including reviewing future budgeted expenditure and related work programmes;
- considering whether exploration activities for the areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;
- testing, on a sample basis, exploration and evaluation expenditure incurred during the year for compliance with AASB 6 and the consolidated entity's accounting policy; and
- assessing the appropriateness of the related disclosures in Note 2 (j) and 14.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities 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 Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

The procedures selected depend on the auditor's judgement, including 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 entity'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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

Opinion

In our opinion, the Remuneration Report of Superior Resources Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

PKF HACKETTS AUDIT



LIAM MURPHY
PARTNER

7 SEPTEMBER 2018
BRISBANE