



Superior Resources Limited

ABN 72 112 844 407

2016

ANNUAL REPORT 2016





Superior Resources Limited

ABN 72 112 844 407

Corporate Directory

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Peter Henry Hwang
Carlos Alberto Fernicola
Kenneth James Harvey

Corporate Secretary

Carlos Alberto Fernicola

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ASX LIMITED
ASX Code: **SPQ**

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ANNUAL REPORT 2016 Contents

Chairman's Review 2016	1
2016 Highlights	2
Corporate Review	3
Operations Report	5
Directors' Report	30
Auditor's Independence Declaration	40
Corporate Governance Statement	41
Financial Report	42
Directors' Declaration	70
Independent Auditor's Report	71
Shareholder Information	74
Tenement Schedule	76
Mineral Resources Statement	77

CHAIRMAN'S REVIEW

Chairman's Review 2016

Dear fellow Shareholders,

On behalf of the Board of Directors, I take pleasure in presenting the 2016 Annual Report for Superior Resources Limited.

The past 12 months has been both challenging and exciting for your company. The majority of the financial year was a difficult period for exploration companies. However, the sector has experienced improvement in sentiment from May 2016 and investor interest has also improved.

Throughout this period your board and management continued to work hard and achieved the following:

- Participating in two formal sale processes for the acquisition of advanced stage gold exploration or pre-development projects (Marda Gold Project and Lake Carey Gold Project);
- Seeking joint venture arrangements with major resources companies in respect of the Company's tier 1 zinc – lead exploration project (Victor Project);
- Drilling of high priority targets in the Company's Greenvale Project;
- Completed two share placement campaigns to sophisticated investors;
- Completed a reconnaissance drilling program on the tailings storage facility as part of the Tick Hill Gold Project;
- Completed a scoping study for a CIL processing operation on the tailings resource at the Tick Hill Gold Project;
- Tick Hill tailings maiden mineral resource estimate – 630,000t @ 1.08 g/t Au, for 22,000 contained troy ounces (@ 0.5 g/t cut-off grade);
- Successfully obtained priority applicant status on a new exploration permit application (Cockie South), which contains the Steam Engine gold deposit;
- Conducting conventional capital raising campaigns and continuing cash conservation measures.

The Company's overhead expenses have been further reduced and the directors, including myself as Company Secretary, have deferred the payment of a substantial portion of our Director and services fees.

The coming year promises to be an exciting one for the Company's Shareholders and stakeholders and I look forward to an increase in activity due to the improvement in the industry together with positive announcements and results.

On behalf of the Board, I express my deep appreciation to staff and management as well as our supporting contractors for their professionalism and dedication in these difficult times.

Sincerely, I thank my fellow directors for their support and commitment to the Company.

Carlos Fernicola
Chairman

YEAR IN REVIEW

2016 Highlights – Year in Review

❖ Zinc – Lead

- ✓ Entered into an Earn-In and Joint Venture Agreement with Teck Australia Pty Ltd (**Teck**) (9 October 2015) in relation to the north west Queensland Nicholson Project.
- ✓ Preliminary exploration work conducted by Teck on the Nicholson Project consisting of geophysical data analysis.
- ✓ Data compilation and modelling of geophysical data in preparation for planning of next stage exploration programs at the Victor Project and Greenvale Project.
- ✓ Completed first stage drilling of high priority, high order zinc geophysical anomalies at the Greenvale Project (Riesling Prospect).
- ✓ Progressed the Company's north west Queensland zinc-lead-copper projects by conducting further data processing in preparation for planning of next stage exploration programs.
- ✓ Continuing discussions with other third party major companies in respect of the Company's other zinc projects.

❖ Gold

- ✓ Completed a reconnaissance drilling program on the tailings storage facility at the Tick Hill Gold Project.
- ✓ Completed a scoping study for a CIL processing operation on the tailings resource at the Tick Hill Gold Project.
- ✓ Prepared a maiden mineral resource estimate on the Tick Hill tailings – 630,000t @ 1.08 g/t Au, for 22,000 contained troy ounces (@ 0.5 g/t cut-off grade).
- ✓ Successfully obtained priority applicant status on a new exploration permit application in north east Queensland (Cockie South), which contains the Steam Engine gold deposit.

❖ Copper

- ✓ Expanded on the Greenvale Project (copper-gold) by obtaining a new exploration permit application (Cockie South) over highly prospective areas containing copper, gold and zinc anomalies and historic copper and gold mineralised areas.
- ✓ Completed modelling of geophysical data, historical data compilation and development of high priority targets at the Greenvale Project to be drill-ready for the following year.

CORPORATE REVIEW

Corporate Review

Corporate Strategy

As a result of the Board's previous year's growth projection analyses, the Board has ensured that the Company maintained its strong exposure to the zinc, gold and copper commodity sectors during the reporting period.

Although the 2015 – 2016 year was marked by a period of depressed market conditions, the Board was pleased to see that market conditions in the zinc and gold sectors enjoyed strong growth on an absolute historical basis.

The growth in these and other sectors was coupled with a marked increase in transactional and M&A activity. The fundamentals in these commodities sectors continues its buoyant growth, which is expected to endure during the 2016 – 2017 year.

During 2016, the Board responded to the uplift in the transactional activity levels and associated market expectations by devoting considerable effort to acquire an advanced-stage gold exploration or development project by participating in two formal asset sale processes.

For the 2016 – 2017 year, the Board will be focussed on achieving the following growth strategy:

- ❖ conduct on-ground exploration including drilling programs on the Company's high priority zinc, gold and copper projects;
- ❖ continue an asset acquisition focus in order to acquire an advanced-stage project;
- ❖ seek joint venture arrangements in respect of the Company's tier 1 zinc - lead Victor Project; and
- ❖ identify low capital cost development pathways for the Tick Hill Gold Tailings Reprocessing Project.

Focussed on growing the Company by exploration and acquisition

Consistent with the Board's strategy objectives, the Company focussed its corporate activities and administrative measures during the year on the following:

- ❖ participated in two formal sale processes for the acquisition of advanced-stage gold exploration or pre-development projects (Marda Gold Project and Lake Carey Gold Project);
- ❖ entered into an Earn-in and Joint Venture Agreement with Teck Australia Pty Ltd (9 October 2015) in relation to the north west Queensland Nicholson Project;
- ❖ progressed discussions with third parties regarding joint venture arrangements with major resources companies in respect of the Company's tier 1 zinc – lead exploration project (Victor Project);
- ❖ drilling of high priority targets in the Company's Riesling Project;
- ❖ entered into a Gold Mining Alliance and Joint Venture Agreement with Dysart Mining Group;
- ❖ completed two share placement campaigns to directors and sophisticated investors; and
- ❖ continued existing cash conservation measures.

Company Background

Superior Resources Limited is a Brisbane based ASX-listed company (ASX code: SPQ) focussed on exploring for lead-zinc-silver, copper and gold deposits in Australia.

Superior currently holds a number of exploration permits, exploration permit applications and a granted mining lease in northern Queensland for base metals exploration. The Company is also a party to a farm-in agreement for gold over three granted mining leases at Tick Hill in northwest Queensland. Tick Hill provides the Company with exposure to an area with potential for high grade gold mineralisation adjacent to a previously mined high grade gold mine.

CORPORATE REVIEW

In north west 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. The Company has entered into an earn-in and joint venture agreement with Teck Australia Pty Ltd in respect of one of its Mount Isa style deposits, the Nicholson Project.

The Company also wholly owns an expanding portfolio of volcanogenic massive sulphide, porphyry copper and gold projects in the Greenvale area of north eastern Queensland with JORC-compliant inferred resources defined for one property.



OPERATIONS REPORT

Operations Report

Summary 2016

Superior's principle activities during the period were focused on the following:

1. Exploration

- *Zinc, Lead*
 - Preliminary exploration work conducted by Teck Australia on the Nicholson Project consisting of geophysical data analysis;
 - Data compilation and modelling of geophysical data in preparation for planning of next stage exploration programs at the Victor Project and Greenvale Project;
 - Completed first stage drilling of high priority, high order zinc geophysical anomalies at the Greenvale Project (Riesling Prospect).
- *Gold*
 - Completed a reconnaissance drilling program on the tailings storage facility as part of the Tick Hill Gold Project;
 - Completed a scoping study for a CIL processing operation on the tailings resource at the Tick Hill Gold Project;
 - Tick Hill tailings maiden mineral resource estimate – 630,000t @ 1.08 g/t Au, for 22,000 contained troy ounces gold (@ 0.5 g/t Au cut-off grade);
 - Successfully obtained priority applicant status on a new exploration permit application (Cockie South), which contains the Steam Engine gold deposit.
- *Copper*
 - Expanded on the Greenvale Project by obtaining a new exploration permit application (Cockie South) over highly prospective areas containing copper and zinc anomalies and historic copper mineralised areas;
 - Completed modelling of geophysical data, historical data compilation and development of drill targets.

2. Acquisition activities and project growth

- conducted a re-evaluation of the short to medium term corporate strategy based on local equity markets and global commodity markets;
- conducted a re-evaluation of the Group's exploration project portfolio.

3. Capital Raising

- conducted and finalised a Share Purchase Plan campaign;
- finalised share placements to sophisticated investors.

4. Dealings

- entered into an Earn-In and Joint Venture Agreement with Teck Australia Pty Ltd (9 October 2015) in relation to the north west Queensland Nicholson Project;
- entered into a Gold Mining Alliance and Joint Venture Agreement with Dysart Mining Group (30 May 2016);

OPERATIONS REPORT

Project Portfolio

During the year, Superior maintained its portfolio of zinc-lead, copper and gold projects (Figure 1). Changes to the projects during the year include:

- *Victor Project.*
 - grant of new tenements EPM25264 and EPM25843;
 - relinquishment of EPM16028;
- *Dajarra Project.*
 - relinquishment of sole remaining tenement – EPM15040;
- *Greenvale Project.*
 - new tenement application – EPMA26165; and
- voluntary area (sub-block) reductions across most projects.

The Company's current portfolio of projects are as follows:

❖ *Gold*

- Tick Hill Gold Project (high grade gold, low sulphur)
- Tick Hill Tailings Project (tailings re-processing)
- Steam Engine Gold Deposit (under new application EPMA26165)
- Bottletree Copper-Gold Prospect

❖ *Zinc-Lead-Copper*

- Victor Project (Mount Isa Style)
- Nicholson Project (Mount Isa Style)
- Riesling Project (Broken Hill Style)
- Dajarra Project (Mount Isa Style)

❖ *Copper-Gold*

- One Mile / One Mile Dam Prospect (VMS – Greenvale)
- Cockie Creek Prospect (Porphyry Copper – Greenvale)
- Wyandotte Copper Prospect
- Halls Reward (Ninety Mile) Copper Prospect
- Galah Dam Prospect (under new application EPMA26165)

OPERATIONS REPORT

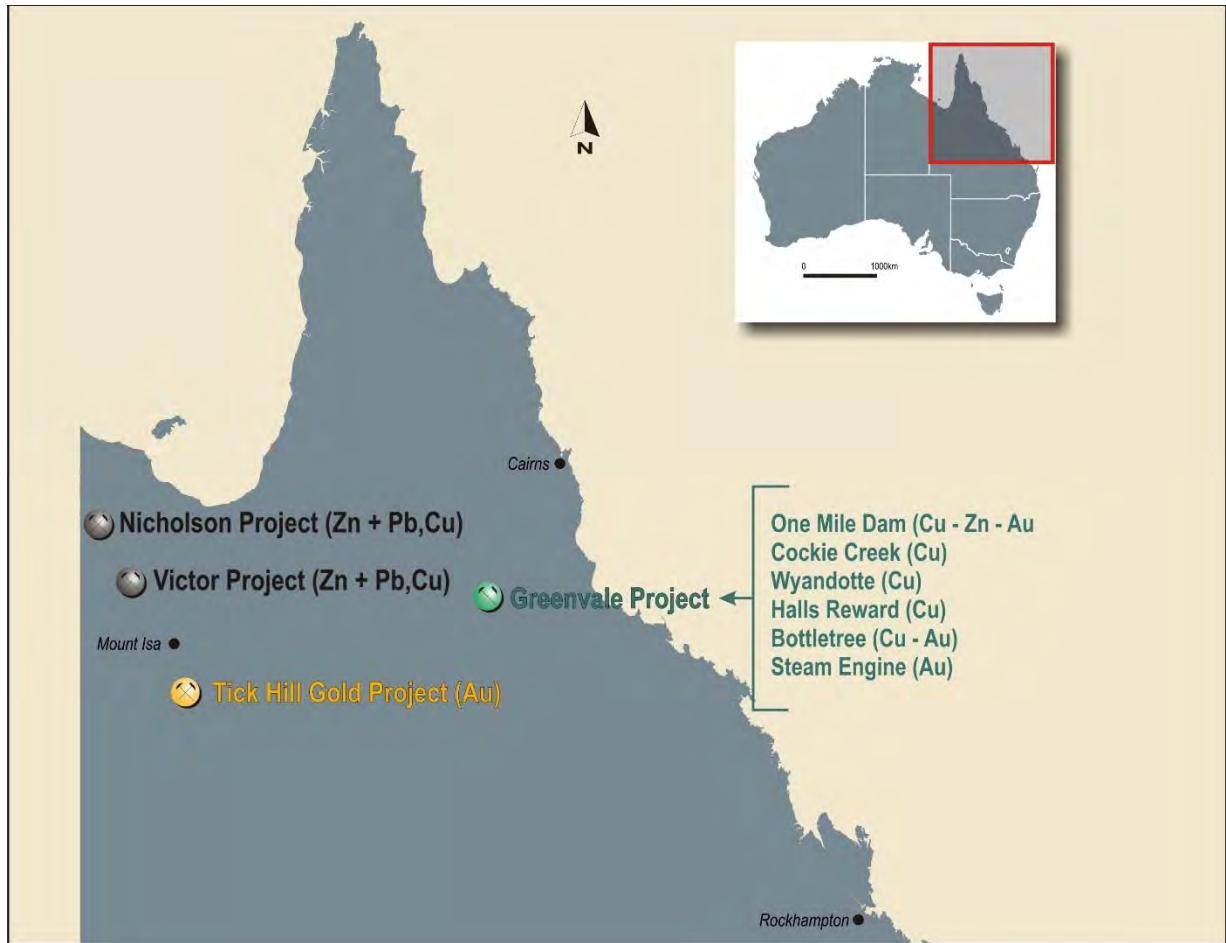


Figure 1. Locations of Superior's current projects.

Gold

Tick Hill Gold Project

Overview

The Tick Hill Gold Project (**THGP**) is well known for being an unusually high grade and low sulphur gold deposit when it was mined by Mount Isa Mines Limited (**MIM**) during 1991 to 1994. A total of 513,333 ounces of gold was recovered in 3.5 years of mining with an average grade of 22.6 grams per tonne.

Peculiar to this deposit is the abrupt truncation of the gold lode at depth, which has been recognised by Superior as being caused by a fault and displacement along the fault.

Superior's focus on the THGP during the year was two-fold:

- *Primary Target* – conduct exploration to identify a faulted extension to the original high grade lode; and
- *Surface Gold Project* – evaluate and if feasible, exploit “surface gold” surrounding the old mining operation, which includes the Tailings Storage Facility (**TSF**), potential alluvial gold and waste rock dumps.

During the course of the reporting period, the Company commenced a reconnaissance evaluation program on the TSF. The prioritisation of the TSF has been driven by market conditions and the potential to realise short term cash flow.

OPERATIONS REPORT



Operations

During the year, the Company:

- completed two reconnaissance air-core drilling programs on the TSF, resulting in a total of 373 samples taken from 55 drill holes totaling 398 metres;
- completed initial bulk sampling of the TSF, comprising two 20-kilogram composite bulk samples taken from a line of five drill holes in each of the western and eastern paddocks of the TSF;
- completed a Scoping Study on the Tick Hill Tailings Project based on a conventional CIL operation; and
- commenced a second phase of test work on the Tick Hill Tailings Project, aimed at investigating the potential for a low operating cost re-processing operation based on a gravity separation circuit.

All samples from the reconnaissance air-core drilling programs and initial bulk sampling were assayed to assess gold recovery process pathways and to develop a process flowsheet.

Samples for a metallurgical testing program were obtained from a single N-S oriented drill line through the centre of each tailings paddock. These samples were composited to give an approximate 50kg bulk sample for each tailings paddock.

Based on the assay results received from the two drilling programs, the overall grade of the TSF is 1.08 g/t Au with the eastern paddock averaging 1.42 g/t Au and the western paddock averaging 0.81 g/t Au. Overall head grades obtained during metallurgical testing for each of the composites were calculated to be 1.27 g/t Au for the eastern paddock and 0.71 g/t Au for the western paddock.

The work completed to date on the Tick Hill Tailings Project indicates that very high levels of gold extraction can be achieved by cyanide leaching and this coupled with a significant proportion of water soluble gold, provides encouragement for efficient processing of the Tick Hill tailings material. The metallurgical testing program was completed during October 2015.

OPERATIONS REPORT

The Company announced a maiden JORC mineral resource for the Tick Hill Gold Tailings Project of 630,000t @ 1.08 g/t Au, for 22,000 contained troy ounces gold (@ 0.5 g/t Au cut-off grade) (refer company ASX announcement dated 19 January 2016).

A Scoping Study completed during the period demonstrated that although gold recoveries of at least 96 percent are achievable through cyanide leaching, capital and operating costs remained relatively high based on an AUD gold price of \$1,467 per ounce (US\$ 1,100 per ounce @ AUD:USD 0.75).

During the period the Company also commenced a second phase of test work on the Tick Hill Tailings Project, which is aimed at investigating the potential for a low operating cost re-processing operation based on a gravity separation circuit.

The gravity separation test work will analyse a 50kg bulk sample, sourced from the first phase drilling, which will be passed through a Knelson concentrator to produce a concentrate followed by mercury amalgamation of the concentrate material. Tails from the Knelson concentrator and residue from the mercury amalgamation will be assayed and compared with assays of the concentrate to determine initial recovery results.

DEEPER EXPLORATION

The Company continued a process of data review and planning for the preparation of a deep drilling program.

Farm-in and Joint Venture Agreement

Superior's rights are derived from an "Exploration Farm-in and Joint Venture Agreement" with Diatreme Resources Limited (**DRX**), dated 17 June 2013 (**JVA**). Under the JVA, Superior has the right to earn a 50% interest in the project by spending \$750,000 on exploration including substantial drilling over a two-year period (which can be extended by agreement). All expenditure incurred by Superior on the Surface Gold Project will constitute earn-in expenditure and will be counted towards the earn-in obligation.

During the earn-in period, Superior will have the sole and exclusive right to access and conduct exploration on the project as well as to determine the nature of the exploration programs.

Upon a transfer of a 50% interest in the project, Superior will be required to pay DRX \$100,000 and an amount equal to 50% of the government security bond on the mining leases.

MIM retains a royalty on gold produced from the mining leases, which is set at a variable rate depending on the annual grade of gold produced from mining. The royalty applies initially to gold produced above 5g/t Au and then, after payment of royalties totalling \$5M, to gold produced above 10g/t Au. A separate royalty rate applies to gold produced from tailings resulting from previous mining.

OPERATIONS REPORT



Steam Engine Gold Deposit (under new application EPMA26165)

Application

The Steam Engine and the adjacent Eastern Ridge gold prospects lie within Superior’s new tenement application EPMA26165 (Figures 2 and 3). The application was made in competition with another party when the area was released from moratorium by the Queensland Department of Natural Resources and Mines. Superior was successful in being awarded priority applicant status in respect of the area. Subject to satisfying usual regulatory requirements, the Company expects to be granted EPM26165 during late 2016 or early 2017.

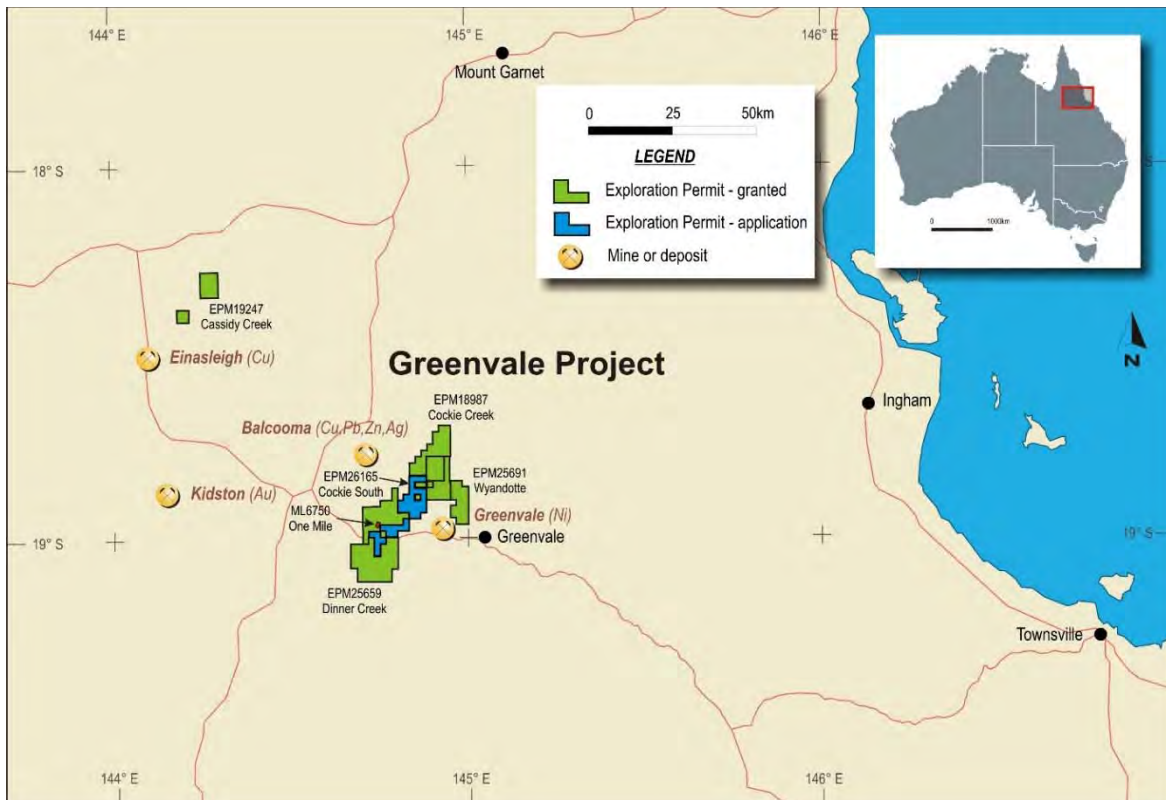


Figure 2. Location of the Greenvale Project and new application EPMA26165.

OPERATIONS REPORT

Gold-bearing lodes

The Steam Engine Gold Prospect contains two main sub-parallel gold bearing lodes, referred to as the Steam Engine Lode and the Eastern Ridge Lode, which are separated by about 600 metres (Figure 4).

The lodes are north-north-east trending, west-dipping lodes and are essentially mineralised shear zones comprising pyrite-quartz-muscovite-carbonate schist within amphibolite, metasediment and/or metatonalite. A small area of gold mineralisation (Southern Zone) occurs between and south of these two lodes.

Steam Engine lies within the old Lucky Creek Goldfield, located about 25km west of Greenvale (Figure 2).

Historical drilling

Steam Engine was discovered by Noranda Australia Limited in 1983 with the first drilling being undertaken in 1985. Substantial drilling of the deposit established a resource following which, the area was covered with a Mineral Development Licence (MDL107) in 1991.

MDL107 has been held by various parties until it was recently relinquished along with a surrounding EPM making the area available for application.

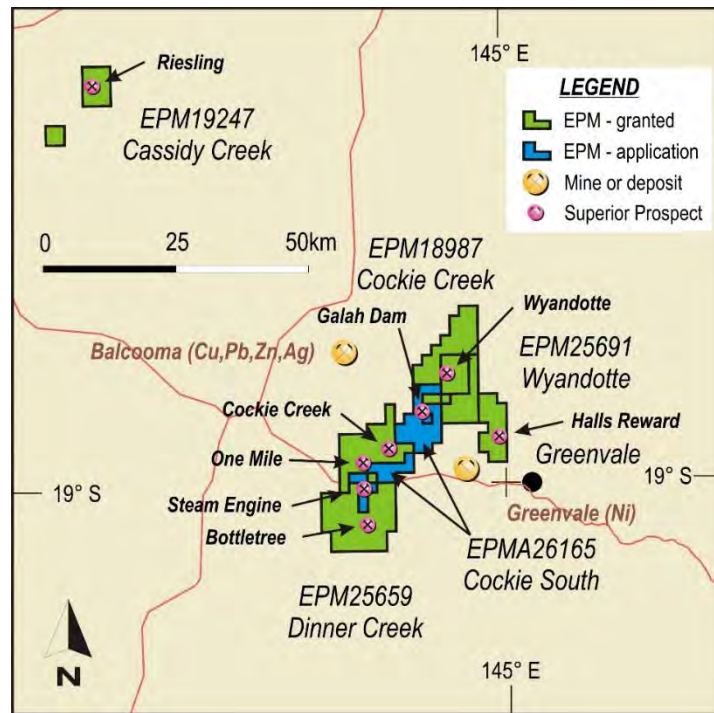


Figure 3. Locations of prospects within the Greenvale Project.

Most of the historical drilling at Steam Engine has been concentrated on the Steam Engine Lode. Approximately 75 holes have been drilled into and adjacent to the Steam Engine Lode, including 45 reverse circulation holes and 12 diamond drill holes. The drilling shows that the gold mineralisation dips consistently to the west at about 55° and that it has good continuity.

The drilling on the Steam Engine Lode is generally restricted to the near surface zone down to about 120m vertical depth. Only one hole has been drilled to any significant depth, which indicated that the lode continues to at least a vertical depth of about 220m below surface.

Detailed drilling over a 300m section of this lode down to approximately 100m depth has allowed previous explorers to determine a resource for this area. Unfortunately, it is not possible to release this resource to the market as it has not been completed in accordance with the JORC Code. It is Superior's intentions to complete a resource estimation and commence a resource drilling program on this area of mineralisation once EPM26165 is granted.

OPERATIONS REPORT

Eastern Ridge Lode

Approximately 47 holes have been drilled into and adjacent to the Eastern Ridge Lode. The drilling shows that, like the Steam Engine Lode, the gold mineralisation occurs within a shear zone which dips to the west.

The Eastern Lode extends for a total distance of over 2km and the spacing of the drill holes is variable. The lode structure is poorly drilled opening up the possibility of gold intersections from further drilling.

Southern Zone

The Southern Zone lies at the southern end of the Steam Engine area. A number of shallow scattered pits appear to indicate prospecting on a series of narrow gold bearing structures. Approximately 20 reverse circulation drill holes have been drilled in this general area.

OPERATIONS REPORT

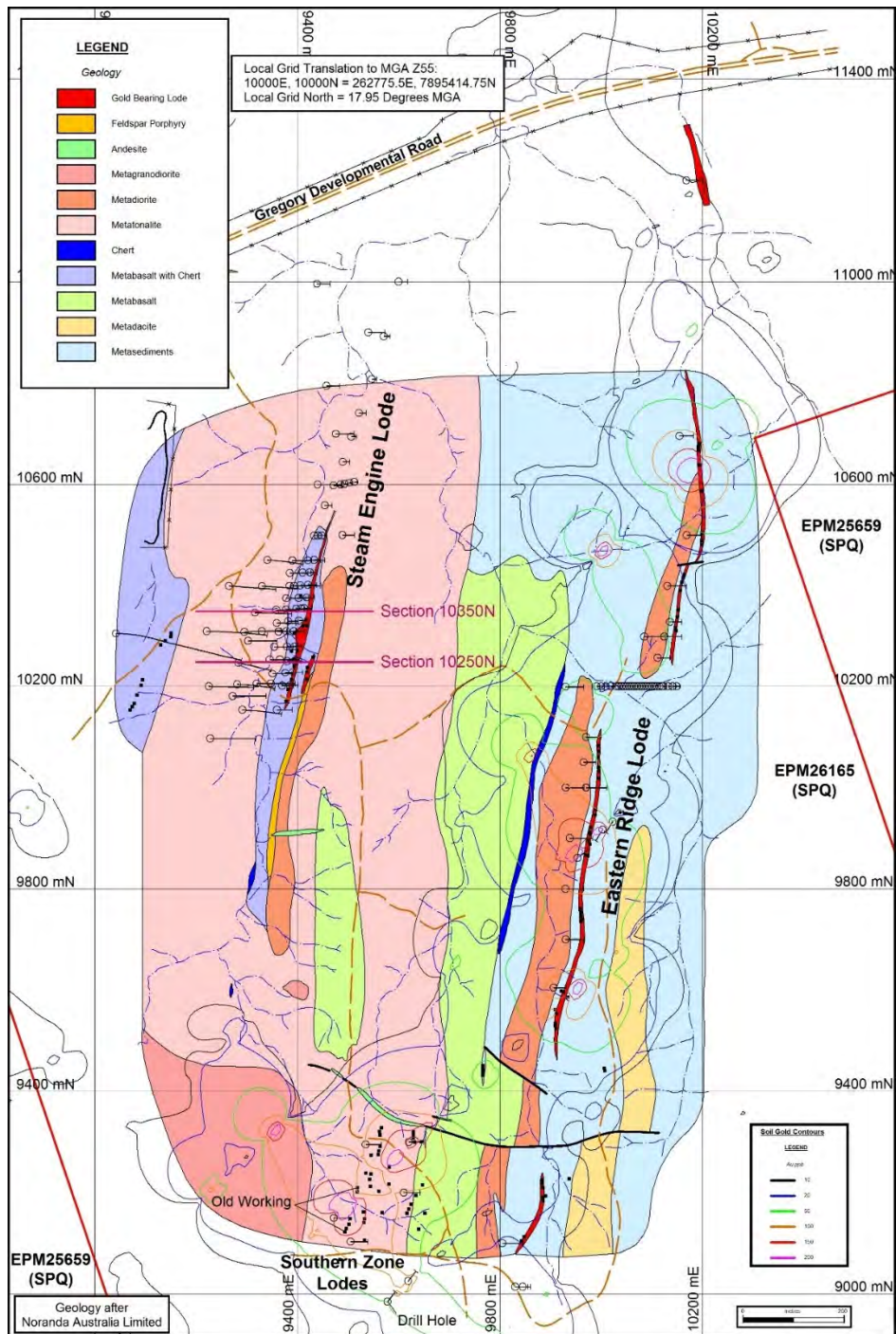


Figure 4. Steam Engine – Interpreted geology showing the gold-bearing lodes (in red), drill holes and soil gold geochemistry (over the Eastern Ridge and Southern Zone).

OPERATIONS REPORT

Zinc – Lead – Copper

North-west Queensland – Victor Project and Nicholson Project

Overview

The Victor and Nicholson projects are tier 1 exploration projects and provide the Company with an industry-leading opportunity to discover a world-class Mount Isa Style Zinc-Lead-Copper deposit. Deposits of this style are potentially large, world-class base metals targets that are hosted in old rock units of Proterozoic age.

In the region immediately surrounding Mount Isa, these Proterozoic sequences are exposed at surface or close to surface and as a consequence, have been intensely explored. The Company’s Victor Project, in particular, is located about 150km northwest of Mount Isa, in a region that is relatively unexplored.

Part of the reason for the lack of exploration is that the prospective Proterozoic sequences are covered by varying moderate depths of younger (Cambrian) sediments. This is the most likely area of Queensland for a second Mount Isa discovery to be made.

Superior’s key focus at its north west Queensland projects is to discover a second Mount Isa base metals deposit. The Company has had the benefit of extensive time and experience in the region and in this style of mineralisation to “pick the eyes” from one of the world’s largest base metals provinces, being north-west Queensland.

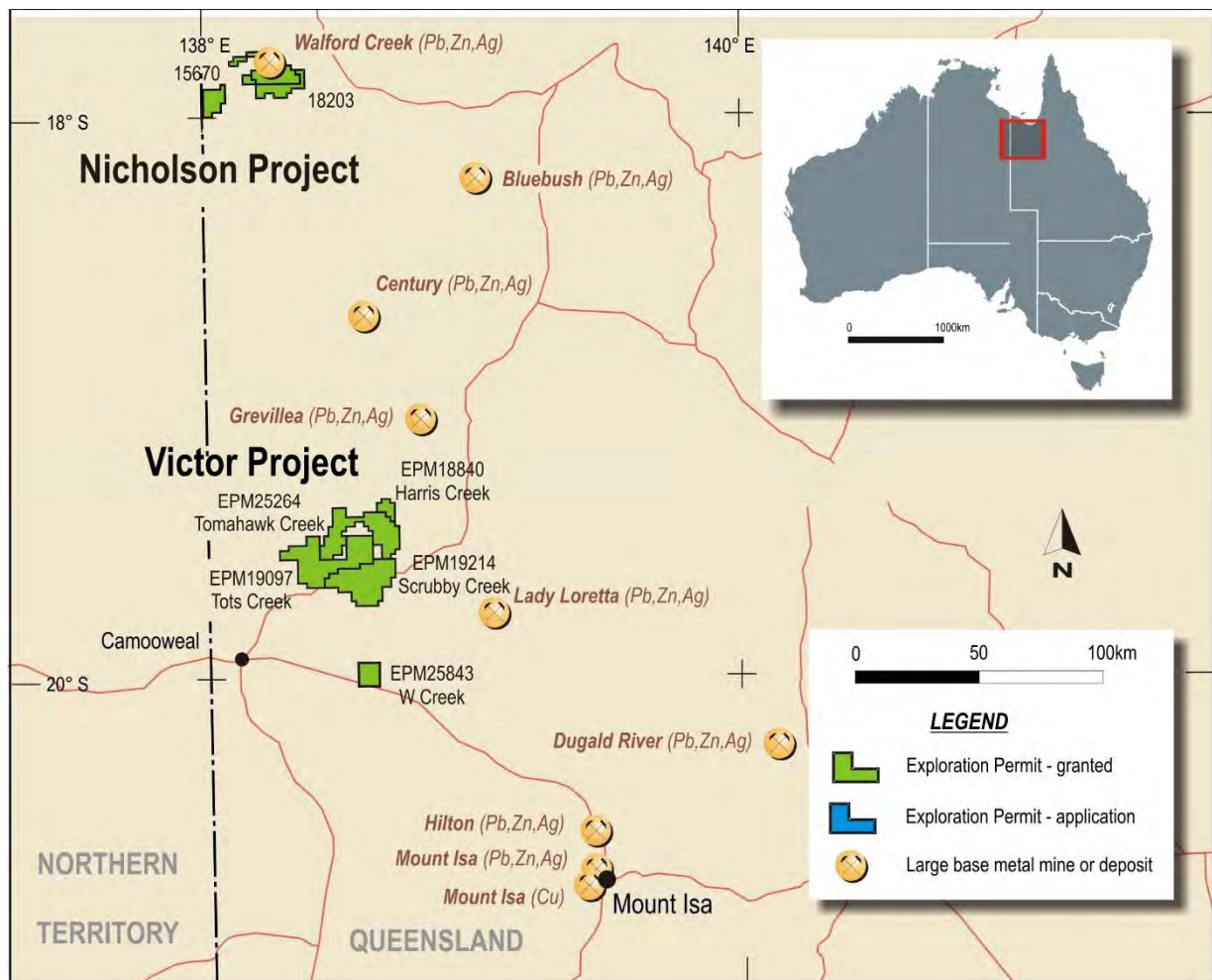


Figure 5. North-west Queensland Victor and Nicholson project tenement locations

OPERATIONS REPORT

Nicholson Project

Operations

The Company entered into a Farm-in and Joint Venture Agreement with Teck Australia Pty Ltd (**Teck**), a wholly-owned subsidiary of Canada’s largest diversified resource company, Teck Resources Limited, in relation to the Company’s Nicholson Project (zinc-lead-copper) in north-west Queensland (Figure 5).

Under the terms of the Agreement, Teck Australia has an exclusive right to earn a 70% interest in the Nicholson Project by spending \$2,500,000 in accordance with the following structure:

- incurring \$250,000 Minimum Expenditure: to be spent on exploration by 30 September 2016; and
- incurring \$2,250,000 in optional expenditure on or before the 31 December 2018.

Teck commenced exploration work on Superior’s Nicholson Project (**Project**) during the early part of 2016.

The Nicholson Project, located near the Walford Creek lead-zinc-silver-copper deposit, is considered to have the potential to contain a sediment-hosted lead-zinc-silver massive sulphide deposit (**SHMS**), similar to Mount Isa and McArthur River (Figure 6).

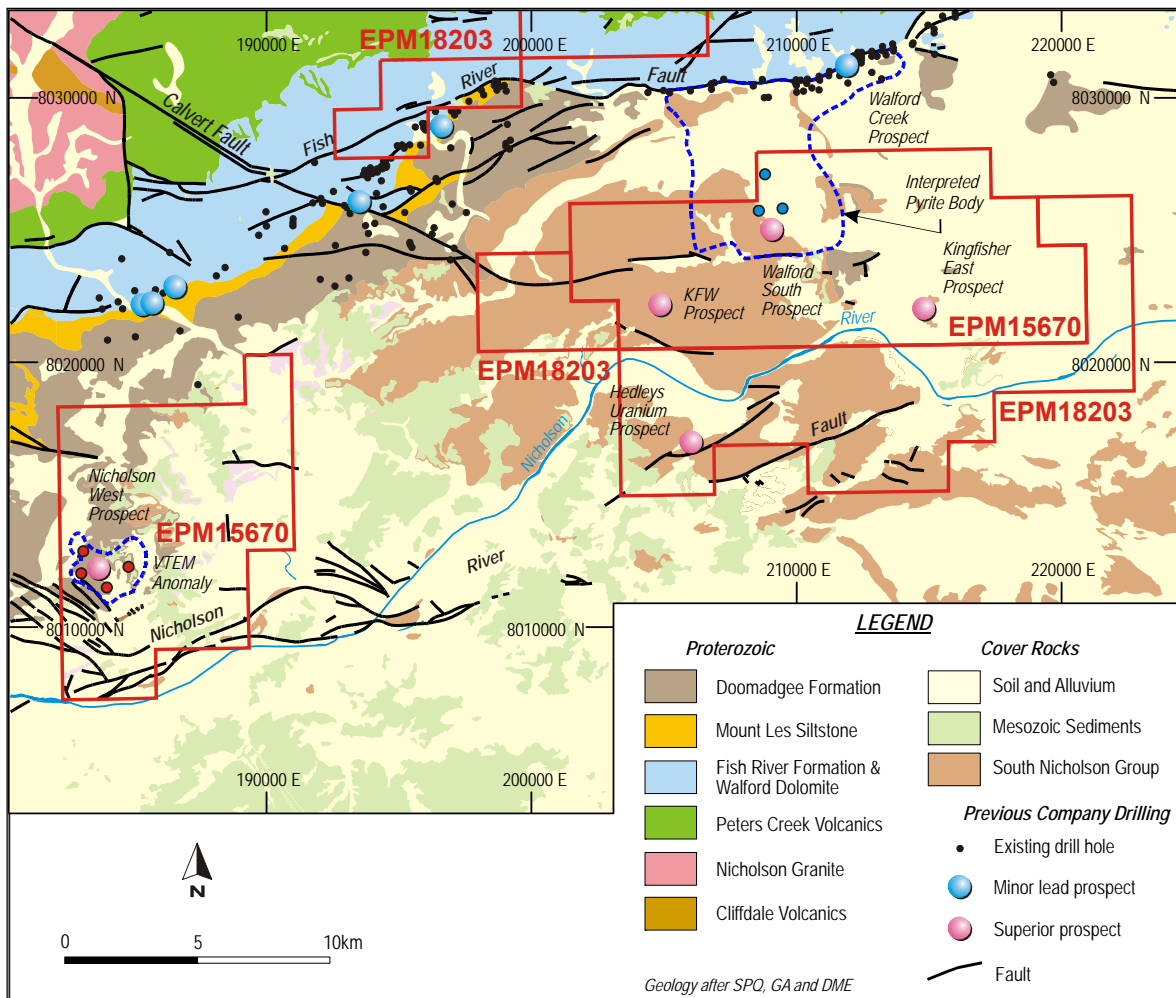


Figure 6. Nicholson Project tenements and prospect locations overlaid on background regional geology.

Previous drilling by Superior at the Walford South Prospect confirmed the presence of substantial amounts of pyritic shale containing elevated zinc, which can be associated with SHMS deposits. An

OPERATIONS REPORT

airborne VTEM survey conducted by Superior over the Project identified moderately deep conductivity anomalies at the Nicholson West and Kingfisher East prospects in a sequence similar to that hosting the Walford Creek deposit. This, together with outcropping rocks containing vein-lead mineralisation, supports the potential for the Project to host SHMS zinc-lead-silver mineralisation.

Work completed during the period

In summary, the exploration work that was completed by Teck during the year comprised:

- compilation of a 3-D geological model for the Nicholson Target Corridor;
- planning of an audio-magneto-telluric (**AMT**) survey;
- planning of an Aboriginal cultural heritage survey; and
- preparation for a July start to field geophysics and geological mapping programs.

3-D geological modelling

2-D data compilation was completed during the previous quarter, the results of which were integrated into a 3-D platform. Interpretations of the data in 3-D allowed for the generation of a revised fault architecture and the identification of prospective target areas.

AMT survey

An AMT survey has been planned to confirm the presence of key interpreted growth faults which provide conduits for mineralised fluids and to better determine the nature of interpreted sub-basin locations within EPM15670 and EPM18203, including the presence and extent of conductive pyritic carbonaceous shale host units. A field inspection of the area was also completed to determine the access requirements for the planned AMT survey.

An Aboriginal heritage clearance survey commenced during July followed by the AMT survey program planned to commence in August.

Victor Project

Operations

During the year, the Company was granted two new exploration permits (EPM25264, Tomahawk Creek and EPM25843, W Creek) as a result of identifying high order and potentially structurally controlled lead and zinc geochemically anomalous areas and geophysical targets.

These areas, together with geophysics-based targets in the Nicholson Project, represent drill-ready targets which, subject to direct or indirect funding being available, the Company plans to investigate during 2016 – 2017.

Geological background

Sufficient information is available from known deposits to identify the most prospective stratigraphy (rock types) in north-west Queensland for the discovery of Mount Isa Style deposits. Effectively, the prospective stratigraphy is the very old Proterozoic units similar to that found at Mount Isa.

These rock units are well known in the Mount Isa region where the rocks are exposed at surface or only under shallow younger sediment cover. The work conducted by Superior indicates that the same prospective stratigraphy is likely to be present under moderate sedimentary cover to the north-west of Mount Isa, which is relatively un-explored.

Superior's exploration strategy is based on the mechanism of geochemical "leakage" of key metals (lead, zinc and copper) from a deeper Proterozoic mineralised source into the younger sediments overlying the Proterozoic (Figure 7).

OPERATIONS REPORT

Geochemical Leakage into Surrounding Rocks and Overlying Cover

Superior understands that there are two important types of “leakage”:

1. the formation of major metal deposits is accompanied by “leakage” of metals at the time of formation into the surrounding area resulting in “halo” anomalies/mineralisation. At Mount Isa a subtle lead anomaly extends along the faults/stratigraphy well beyond the ore bodies. These anomalies are recognisable in regional geochemical images; and
2. it is apparent that lead and zinc (and probably copper) are remobilized into rocks above deposits post deposit formation. The lead-zinc within Cambrian cover sediments at Century and Grevillea support this statement. The large lead-zinc anomaly at the Victor Project make this an area potentially containing large Proterozoic deposits below the Cambrian cover in which the anomaly is hosted (Figure 8).

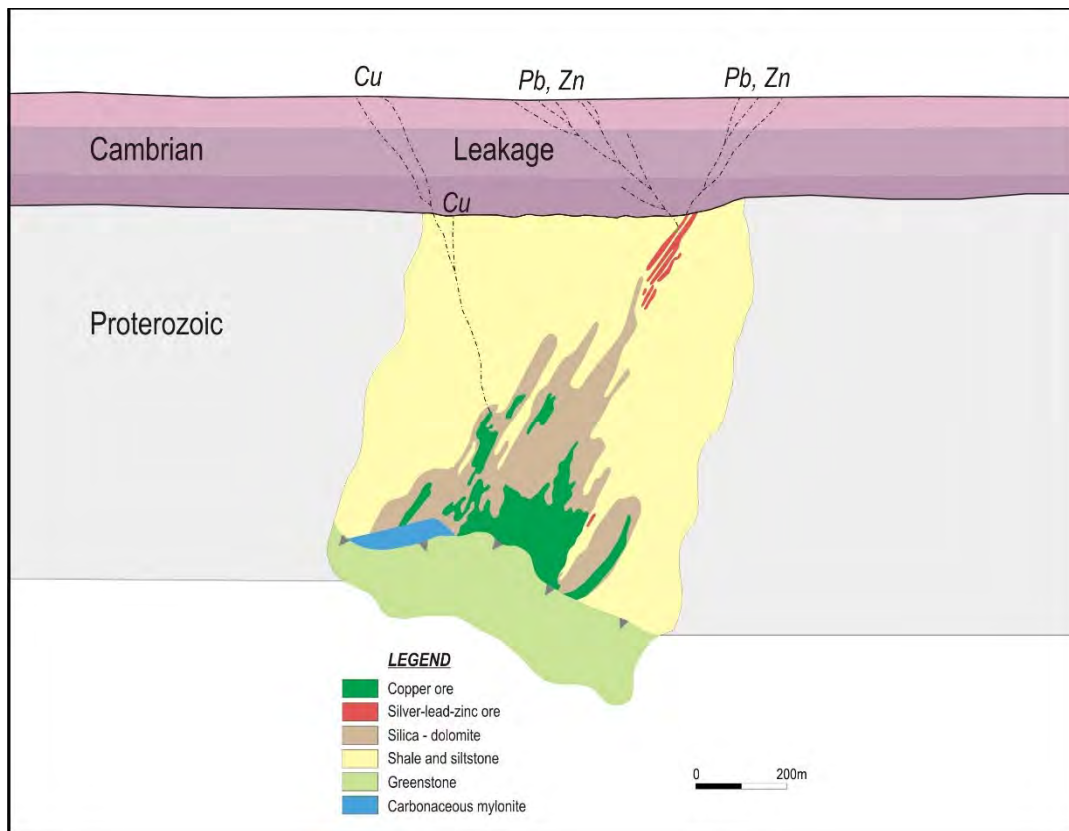


Figure 7. Diagrammatic representation of the ‘leakage’ concept. Superior believes that ‘leakage’ from Proterozoic deposits into the overlying cover rocks may be one of the best methods of targeting prospective areas for Mount Isa Style deposits under younger sediments.

Historical Airborne Surveys

The north-west Queensland area is blessed by almost complete coverage by airborne magnetics and radiometrics (Figure 9). In addition to this coverage there are numerous historical airborne EM surveys available which are largely ignored by explorers. Superior has acquired most of the EM surveys in digital form and processed a number of surveys to produce conductivity sections. Many of the surveys contain anomalies over conductive graphitic sediments which makes interpretation for mineralisation difficult. However the surveys provide a view of the stratigraphy in covered areas. As mineralisation is often associated with graphitic sediments the location of these conductive units can assist the delineation of prospective areas.

OPERATIONS REPORT

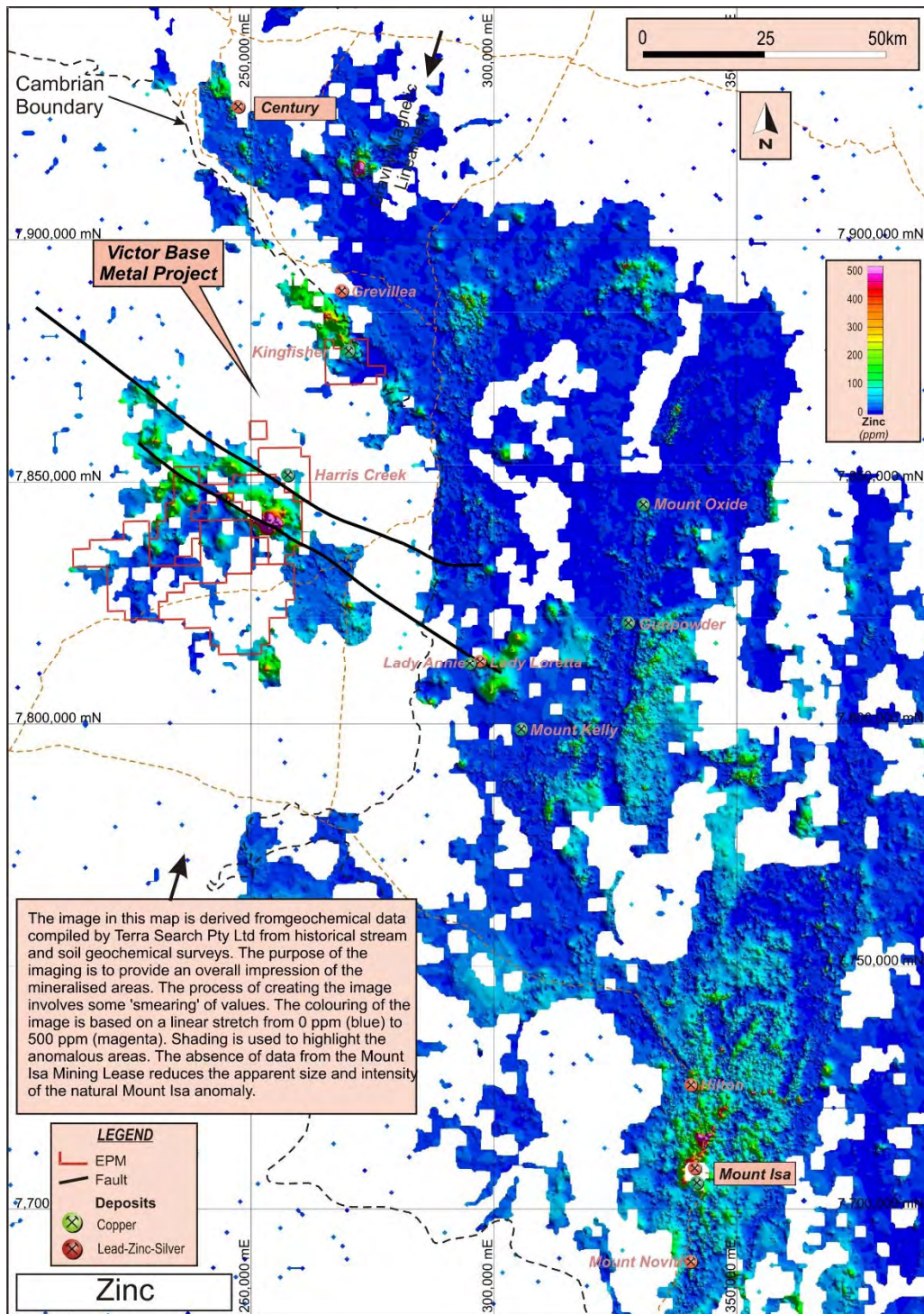


Figure 8. Imaging of historical stream and soil geochemical values highlight the Victor Project area because of strong lead and zinc anomalies. This image shows that zinc anomalies are associated with other areas of significant mineralisation including Mount Isa, Lady Loretta, Century and Grevillea. The size and intensity of the Victor Project lead and zinc anomaly is similar to that at Mount Isa.

OPERATIONS REPORT

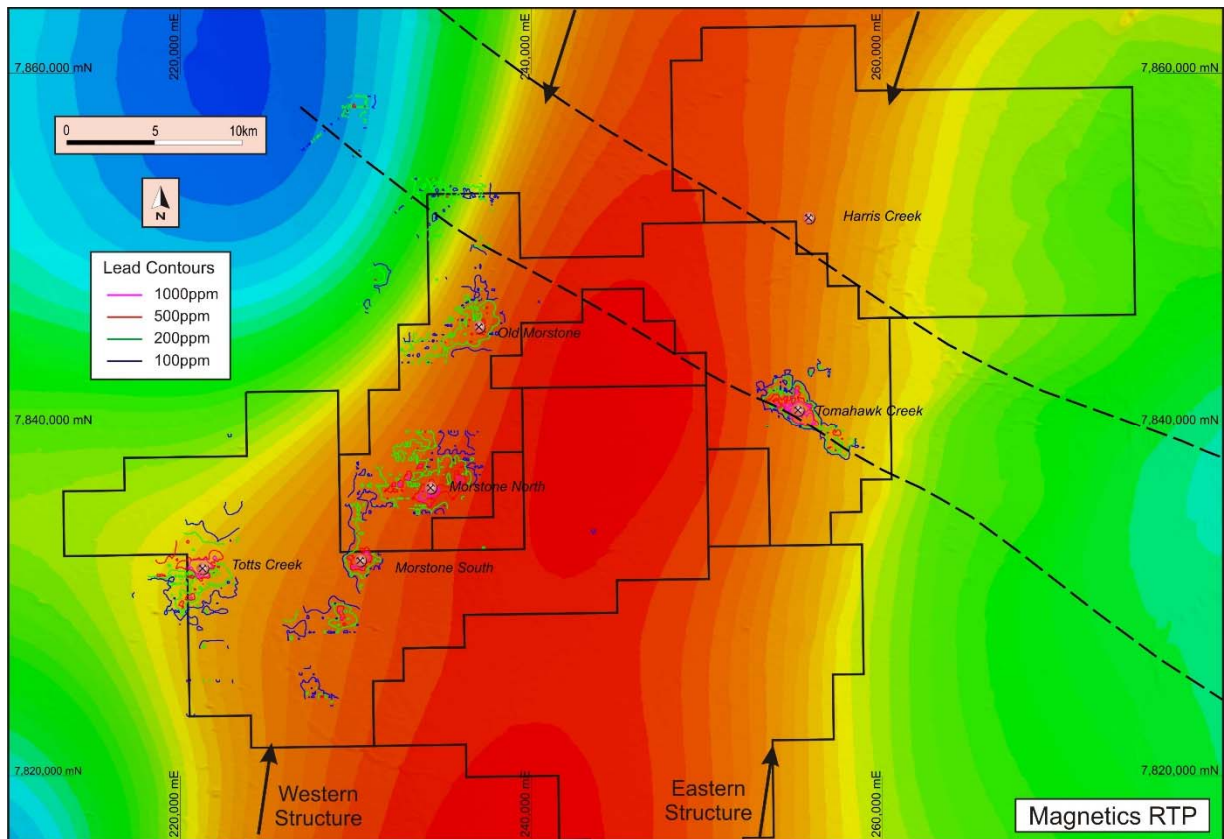


Figure 9. Soil lead geochemical anomalies coincident with deeper large basement structures.

North-west Queensland Strategy

Mount Isa Style targets are large, world class targets that require considerable exploration investment. With the current sustained global downturn in the resources industry, the Board's view is that these projects are most appropriately progressed by partnering with suitably qualified and resourced major companies.

Taking this approach, the Company is then able to commit resources to:

- conduct lower cost exploration on the projects in order to maximise their value; and
- identifying and wholly or partly acquiring an interest in an advanced or pre-production zinc, copper or gold project.

To that end, the Board has been actively seeking joint venture arrangements with appropriate major companies.

OPERATIONS REPORT

Copper – Gold

Greenvale Project

Overview

Superior considers the Greenvale Project to be a first class copper and gold exploration project. The Company has taken advantage of the current difficult market conditions to acquire prospective areas adjacent to its existing promising copper tenements, which considerably enhances the Greenvale Project (Figure 10).

The Company considers that copper mineralisation at the Cockie Creek prospect is of the porphyry copper style. The mineralisation is hosted in a belt of basic to intermediate volcanic and intrusive rocks of Cambro-Ordovician age similar in type and age to the belt in New South Wales which hosts the large Cadia and North Parkes porphyry copper mines. The prospective belt of rocks probably originally extended the length of the east coast of Australia but it is now restricted to remnant areas.

The Wyandotte prospect and the Halls Reward Copper Mine are historically known projects with high grade copper occurrences. The Company considers that the two projects represent significant potential for identifying shallow high-grade copper mineralisation.

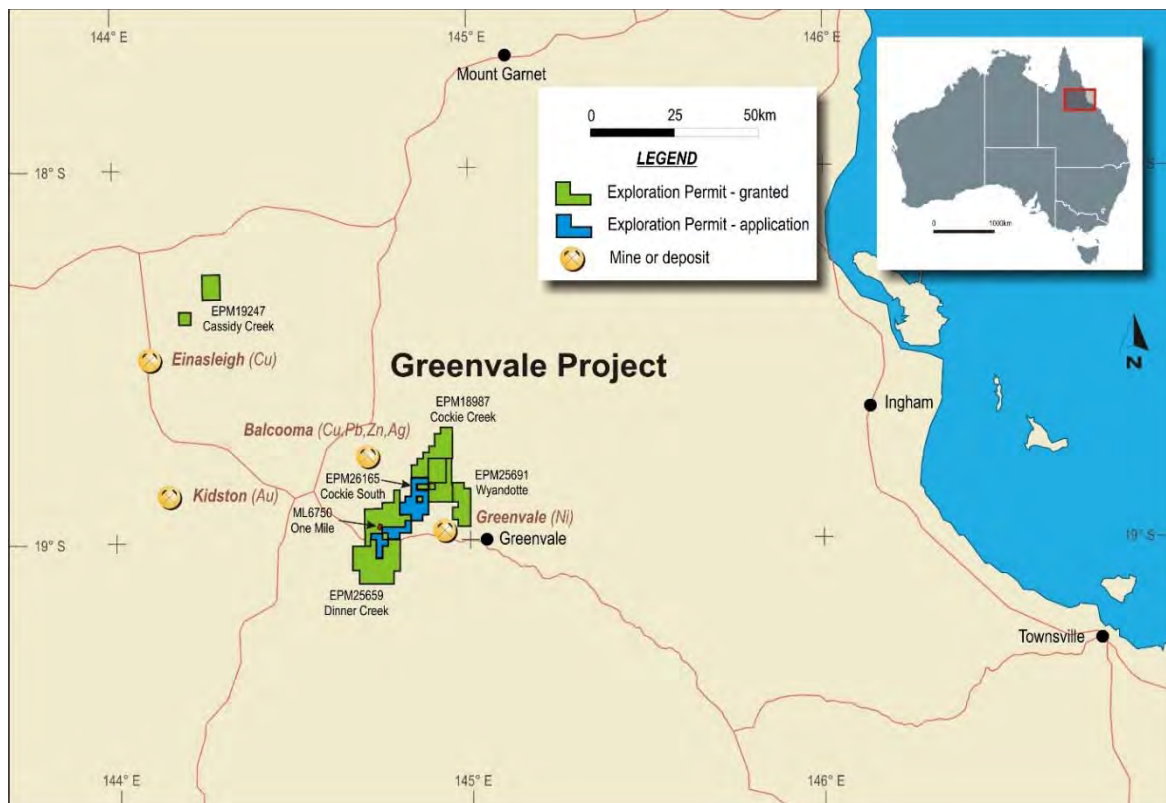


Figure 10. Location of the Greenvale Project and new application EPMA26165.

Significant previously reported historic drill holes:

- **Wyandotte:** 5.8m @ 7.8% copper; 13.4m @ 3.6% copper;
- **Halls Reward:** 21m @ 0.8% copper; 10m @ 0.9% copper, 0.6g/t gold, 4.5g/t silver;
- **Bottletree:** approx 50m @ 0.3% copper;
- **Cockie Creek:** previously reported (SPQ) JORC inferred resource of 13Mt @ 0.42% copper;
- **Cockie Creek:** a shallow hole corresponding to the location of the new IP target intersected 34m @ 0.31% copper;

OPERATIONS REPORT

- **Cockie Creek:** a deeper hole with an intersection of 3m @ 9.0 g/t Au between 80 and 83m drilled through the main central zone of copper mineralisation, terminates short of a newly identified target zone.

New EPM application

During the year, the Company made application for an additional Exploration Permit for Minerals, EPMA26165 “Cockie South” (Figure 10). The EPMA was in competition with a second, unrelated applicant. The Queensland Department of Natural Resources and Mines provided Superior with priority in respect of the competitive application.

Subject to satisfying regulatory requirements (none of which are considered onerous or unusual), the Company expects to be granted EPMA26165 in during late 2016 or early 2017.

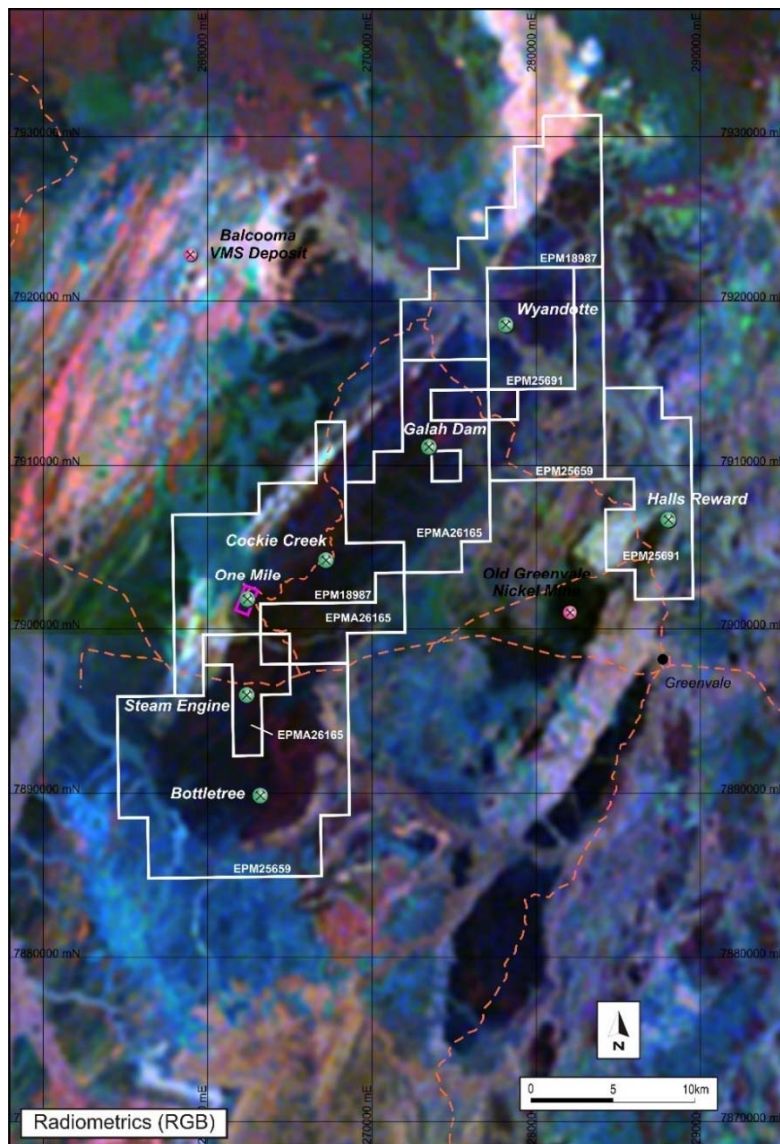


Figure 11. Locations of the Greenvale prospects, which include Steam Engine and Galah Dam, superimposed over airborne radiometrics. The darker radiometric response areas highlight low levels of uranium, thorium and lead, which is indicative of mantle-derived intrusive rocks and which Superior considers to be a northern extension of the central NSW Ordovician porphyry copper belt.

The EPMA follows two recent EPM applications, which were granted during the 2014 – 2015 financial year.

OPERATIONS REPORT

The new EPMA, Cockie South, covers the Steam Engine Gold Deposit and the Galah Dam Gold-Zinc-Copper prospect, which are in addition to the recently acquired Halls Reward, Wyandotte and Riesling prospects (Figure 11).

Operations

GREENVALE PROJECT – RIESLING PROSPECT

In December 2015, the Company conducted a 6-hole scout program of 426 metres of Reverse Circulation Percussion drilling at the Riesling Prospect.

The Riesling Prospect is located 300 kilometres west of Townsville within EPM19247, which is close to and a part of the Greenvale Project (100% owned by Superior). The project is a zinc-lead-copper prospect covering an area containing a zone of gahnite (zinc spinel) bearing units within the Einasleigh Metamorphics.

EPM 19247 also includes three other prospects named “Chablis”, “Riesling South” and “Burgundy”. The prospective area extends over a 5.5 km zone from the Burgundy prospect in the south through the Riesling Prospect in the central part to the Chablis prospect in the north.

The drill holes were designed to test significant multi-element surface geochemistry particularly delineated by a regional extensive copper-zinc soil anomaly. The surface geology consists of thin gossan zones (after oxidised sulphides) and bands of schist and gneiss some of which contain the zinc spinel, gahnite. The mineralised units are hosted within a high grade metamorphic package of pelitic schist, altered metavolcanics, amphibolite and granitic gneiss.

All drill holes intersected minor zinc-copper mineralisation in the form of thin quartz-gahnite bearing bands, with traces and disseminations of minor chalcopyrite and pyrite, hosted within biotite-muscovite schists, biotite gneiss and amphibolite. Depth of oxidation is generally shallow (15m-30m). Pink spessartine garnet is a common accessory mineral in the schists and gneisses.

Portable XRF (PXRF) analysis on representative 1m samples from the mineralised intervals have returned results (over several metres) in the order of 0.1% to 0.5% zinc, with a maximum of 1.5% zinc and elevated copper in the 500ppm to 900ppm copper range.

The best results from the PXRF analysis are:

- Hole CCRC001:30m @ 0.29% Zn (0m – 30m)
- Hole CCRC001:2m @ 1.43% Zn (41m – 43m)
- Hole CCRC001:3m @ 0.65% Zn (67m – 70m)
- Hole CCRC002:20m @ 0.18% Zn (0m – 22m)
- Hole CCRC004:14m @ 0.23% Zn (6m – 20m)
- Hole CCRC005:23m @ 0.24% Zn (0m – 23m)

The Company considers that the results of the drilling program did not identify or explain the intense high-order anomalies that are present in the soil geochemistry. The scope of the drilling program was limited as a result of a shortage of available funds and the limited time available to conduct the program due to adverse weather conditions.

Superior is currently assessing the significance of the results in terms of the potential for the Riesling area to host significant strata bound base metal mineralisation.

Greenvale Prospects

One Mile and One Mile Dam Prospects

The One Mile Dam Prospect, located 1km from Superior’s One Mile Prospect, is defined by near coincident ground EM, dipole-dipole IP and VTEM geophysical anomalies from surveys originally conducted by Mt Isa Mines (**MIM**). The target zone, interpreted from the geophysical data, has a strike length of approximately 1km (Figure 12).

OPERATIONS REPORT

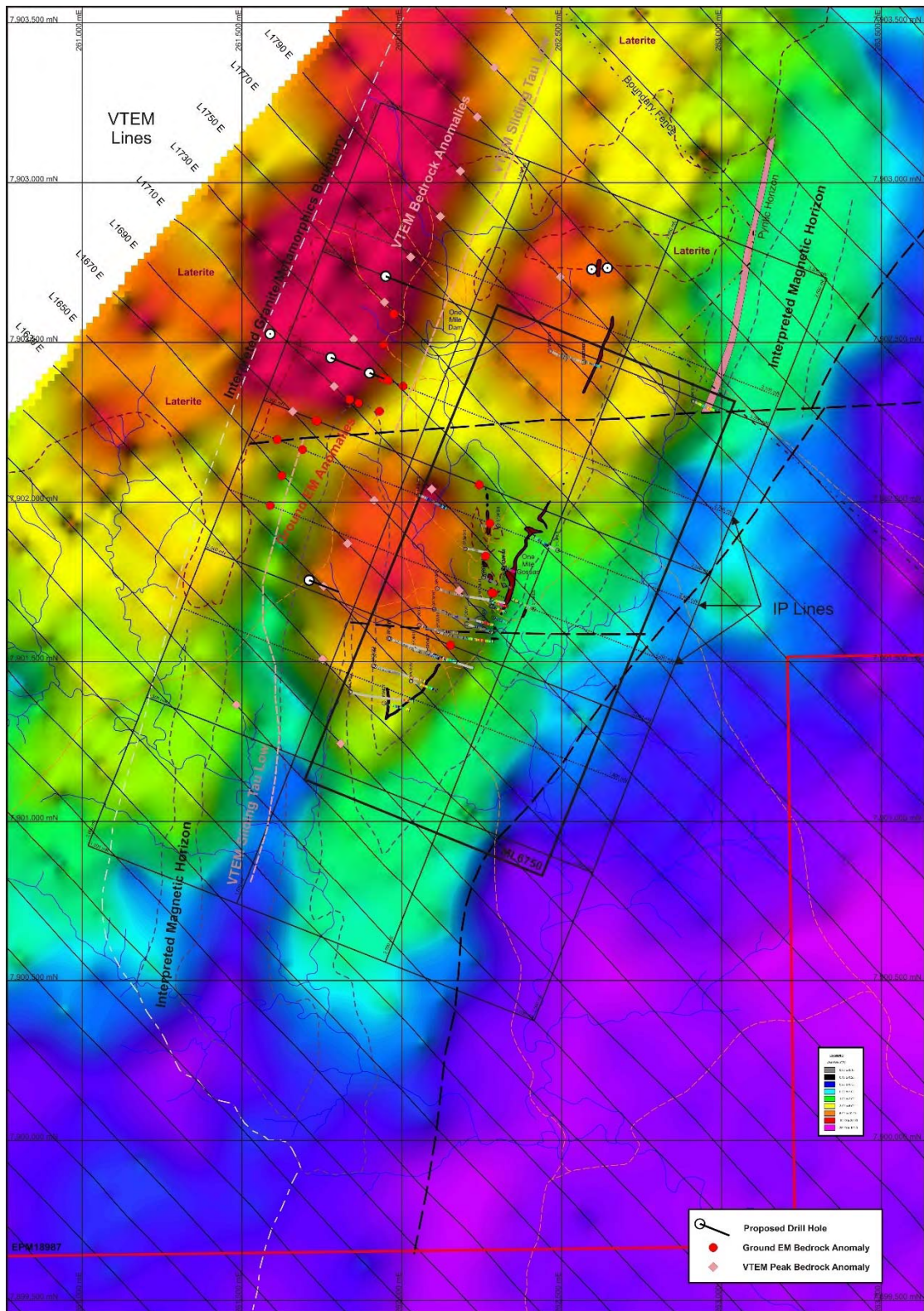


Figure 12. One Mile - Ground magnetics (RTP) showing the location of the interpreted ground EM and VTEM anomalies in the One Mile Dam area located 1km to the north-northwest of the One Mile massive sulphide deposit. Folding and faulting interpreted from the magnetics suggest that the One Mile Dam interpreted sulphide body may be on a fold limb of the drilled massive sulphide horizon.

Fixed loop ground EM surveys over the One Mile area are shown in Figure 13.

OPERATIONS REPORT

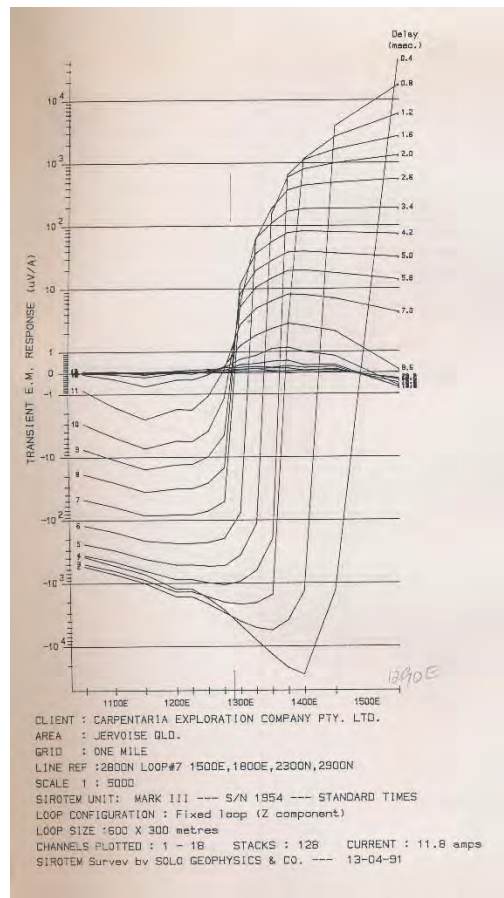
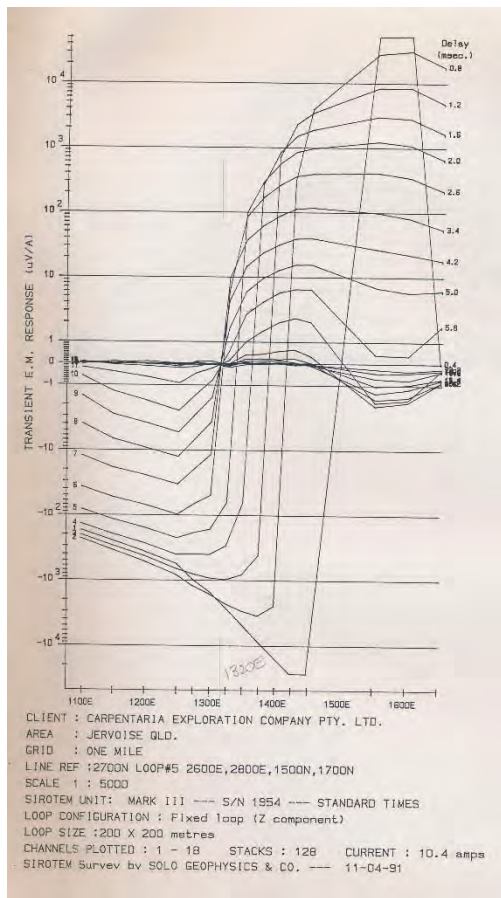


Figure 13. One Mile Dam – The fixed loop ground EM anomaly (cross-over) at 1320E on 2700N and 1290E on 2800N (local grid).

These anomalies have not been tested by drilling. The Company is planning to drill these anomalies during the 2016 – 2017 year.

Cockie Creek Prospect

At Cockie Creek, disseminated copper mineralisation with some gold and molybdenum occurs associated with a quartz-biotite-hornblende schist unit enclosed within a metamorphosed basic volcanic sequence. The copper mineralisation, with a true width up to 60m, extends over 1.2km and dips grid easterly at -80° (Figure 14).

A resource estimation in accordance with the 2004 JORC Code and based on the previous drilling, results in global inferred resources down to an RL of 300m (approximately 250m depth) of 13Mt @ 0.42% copper (refer ASX Announcement 27 March 2013).

Modern three-dimensional (3D) computer modelling of IP geophysical survey data produced two pronounced chargeable sources corresponding with the known main central zone of copper mineralisation.

Also of interest is an intersection of 3m @ 9.0 g/t Au between 80 and 83m in drill hole CRC003(B03) drilled through the central zone of copper mineralisation.

Geophysical modelling has opened up the potential of the Cockie Creek area for a significant porphyry copper deposit. When compared with other porphyry copper prospects, Cockie Creek is better located with regard to infrastructure than many other porphyry copper prospects around the world as it is situated only 210km from Townsville, the port city for mining in north Queensland. In addition to its port, Townsville also has a copper refinery, a zinc refinery and a lateritic nickel processing facility.

Drilling of the two chargeability sources is proposed for the 2016 – 2017 year.

OPERATIONS REPORT

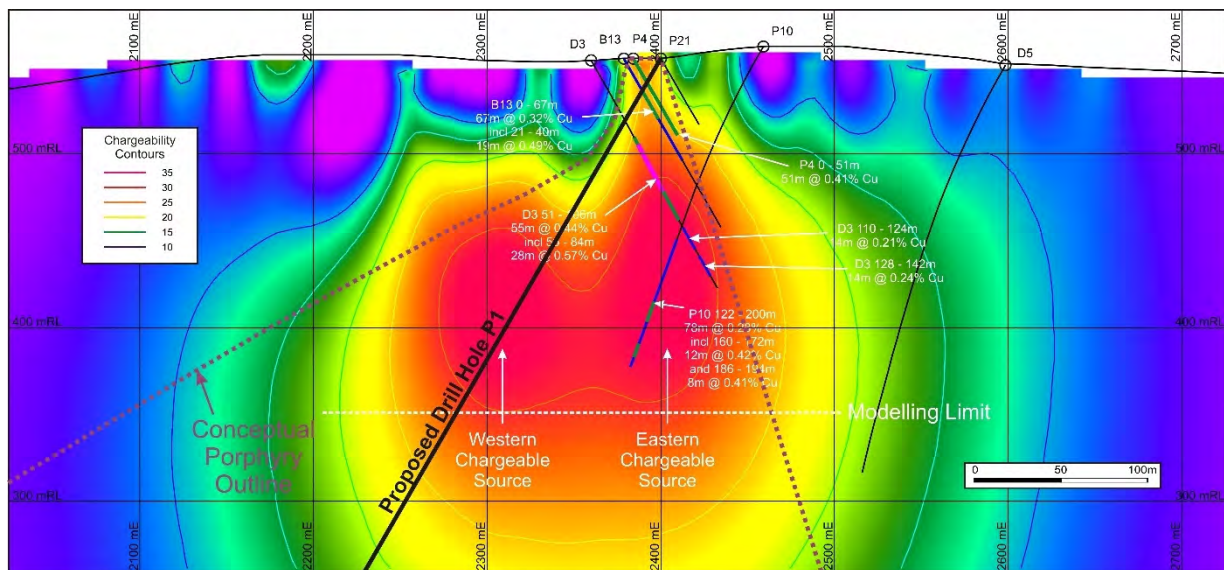


Figure 14. Cockie Creek Copper Prospect – Vertical cross section through the 3D chargeability model at 1700N showing the main mineralised area with drillhole copper intersections on the eastern side and the new untested second chargeable source on the western side. Proposed drillhole P1 is shown.

Wyandotte Copper Prospect

The Wyandotte Copper Prospect is similar in geology to the Cockie Creek Prospect with the difference being significantly higher copper grades reported at Wyandotte (e.g. historical drilling: 5.8m @ 7.8%Cu; 13.4m @ 3.6%Cu). Historic non- JORC compliant resources have been reported.

Superior has recognised that there is considerable potential to expand the currently identified mineralised zone with further drilling below 100m depth and on targets in the surrounding vicinity (Figure 15).

Bottletree Copper-Gold Prospect

The Bottletree Prospect is a large (2km x 1km) soil copper anomaly (Figure 16) which supports the interpretation that the mineralisation may be of the porphyry copper style. Pancontinental Mining Limited completed 15 reverse-circulation holes into the higher order anomalies. The drilling indicates that copper mineralisation above 0.3% copper has a true width of about 60m.

Further investigations including drilling is required on this prospect.

Halls Reward (Ninety Mile) Copper Prospect

Historic mining of high grade supergene copper at the Halls Reward Copper Mine was conducted during the period 1933 to 1958. Public reports record a production of 12,800 tonnes of ore at 17% Cu, 5g/t Au and 23g/t Ag.

Limited exploration by CRA occurred between 1991 to 1995, which discovered a previously unknown additional western lode (West Lode) located approximately 200m west of and parallel to the mined lode (Figure 17).

Further drilling of the West Lode and deeper drilling under and surrounding the old mine is planned for this prospect.

Galah Dam Prospect

The Galah Dam Prospect is a large southerly plunging anticlinal alteration zone, which shows similarities to the nearby Balcooma Deposit (Figure 18). This prospect contains gold, zinc and copper mineralisation. Further data compilation will be conducted by the Company.

OPERATIONS REPORT

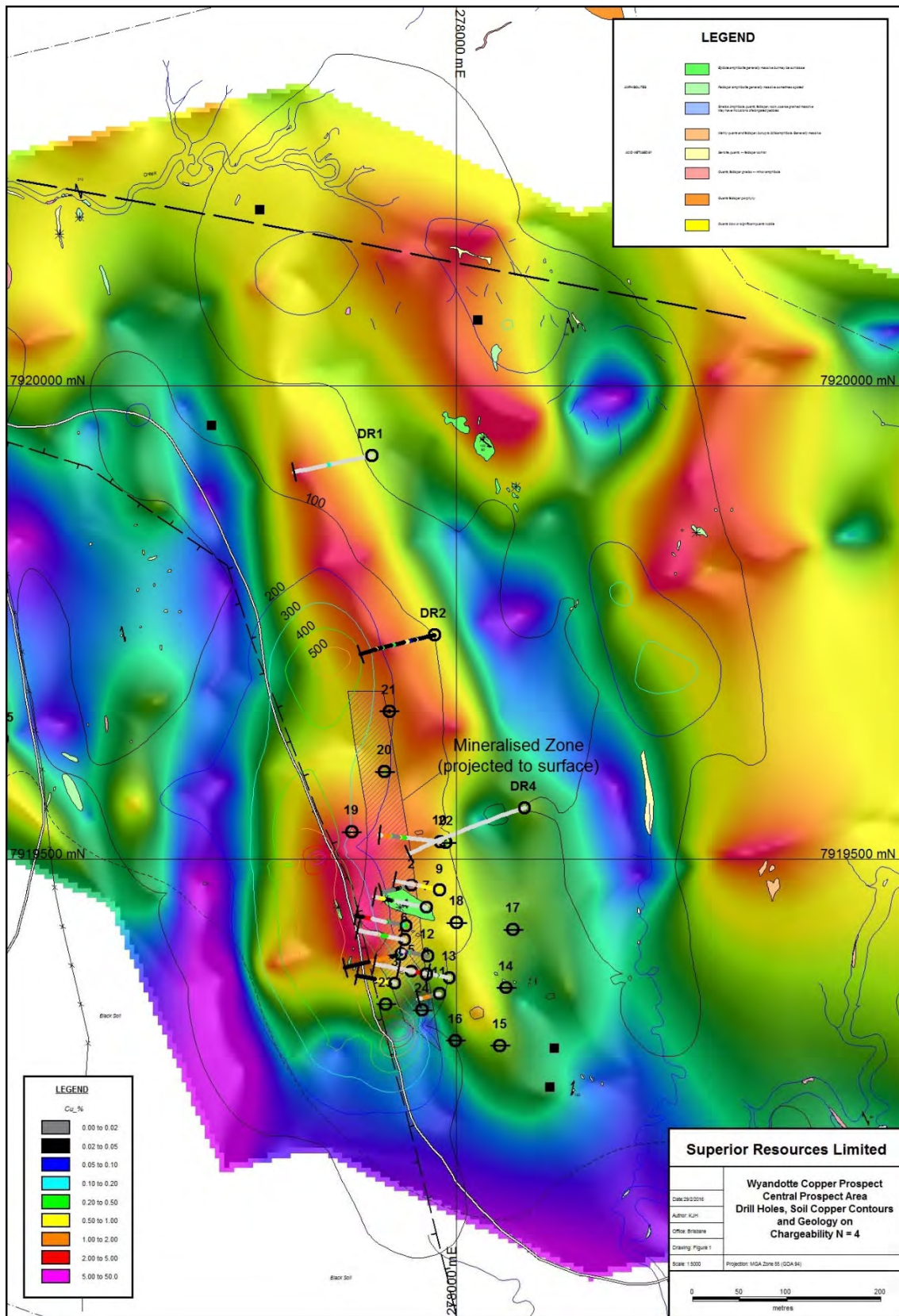


Figure 15. Wyandotte Copper Prospect – Geology, drilling, soil geochemistry and chargeability (N=4).

OPERATIONS REPORT

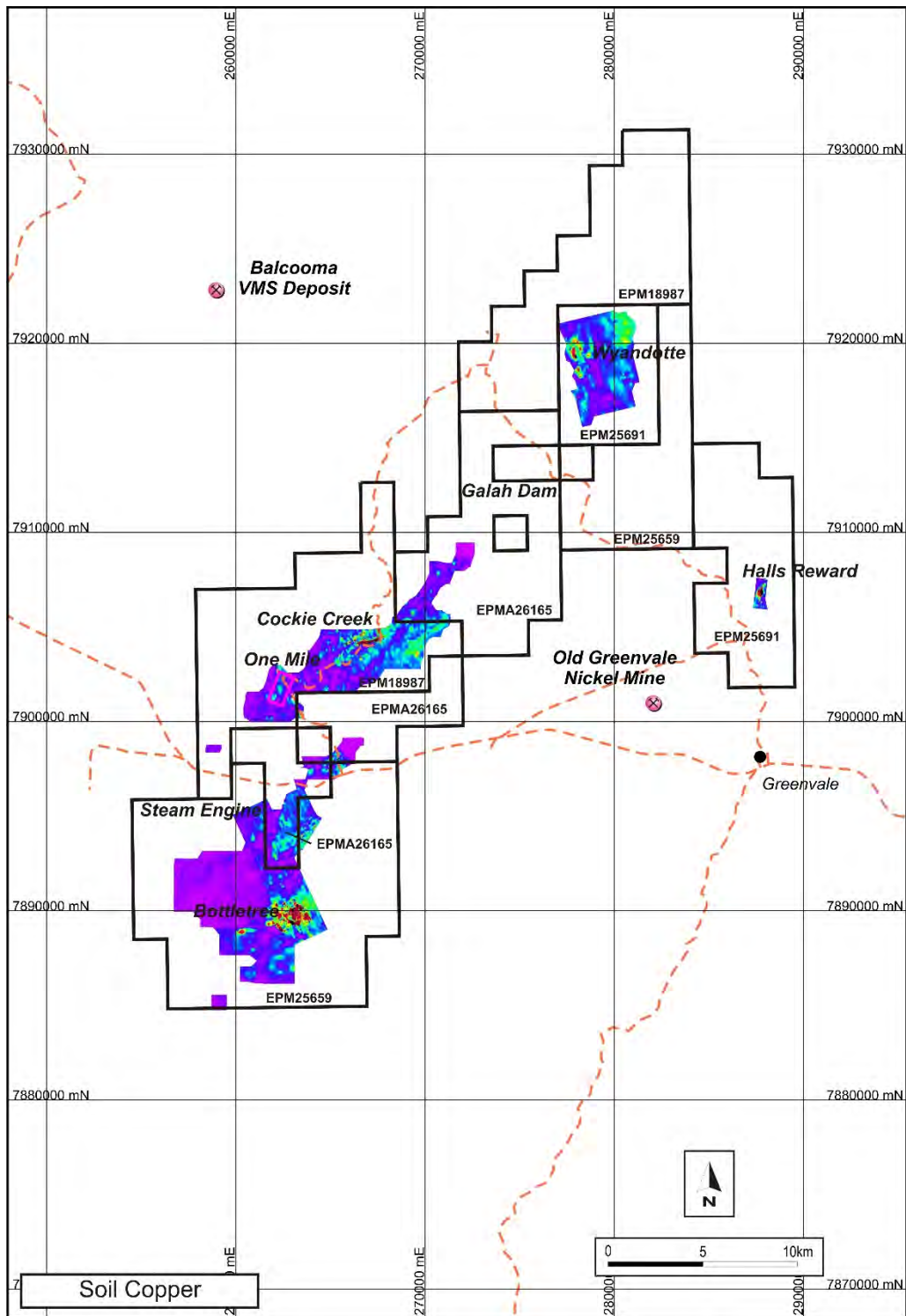


Figure 16. Greenvale Project – Image of compiled soil copper geochemistry showing the large soil copper anomaly over the Bottletree Prospect and soil anomalies over other prospects.

OPERATIONS REPORT

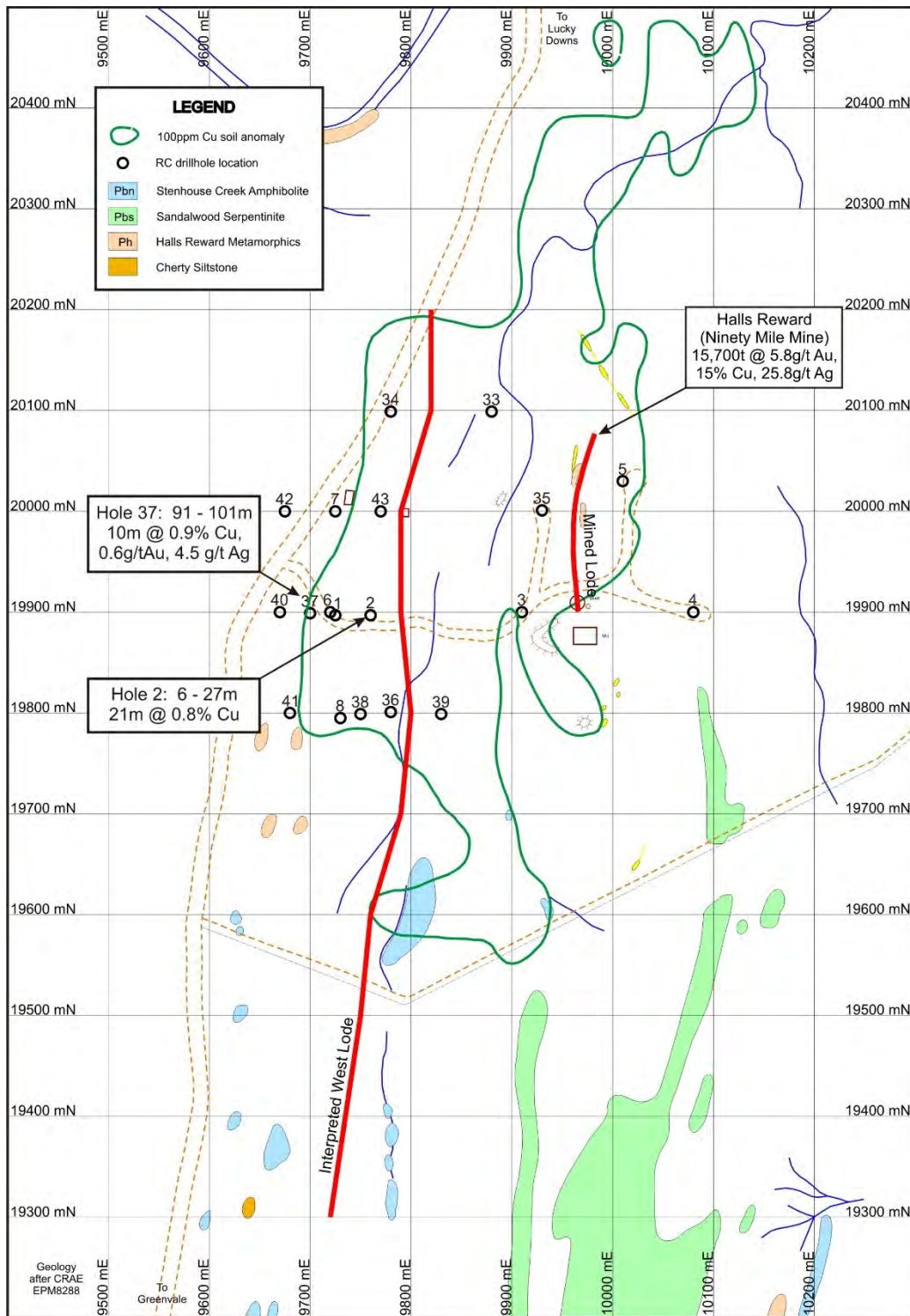


Figure 17. Halls Reward (Ninety Mile) Copper Prospect – Geology, drill holes and soil geochemistry.

OPERATIONS REPORT

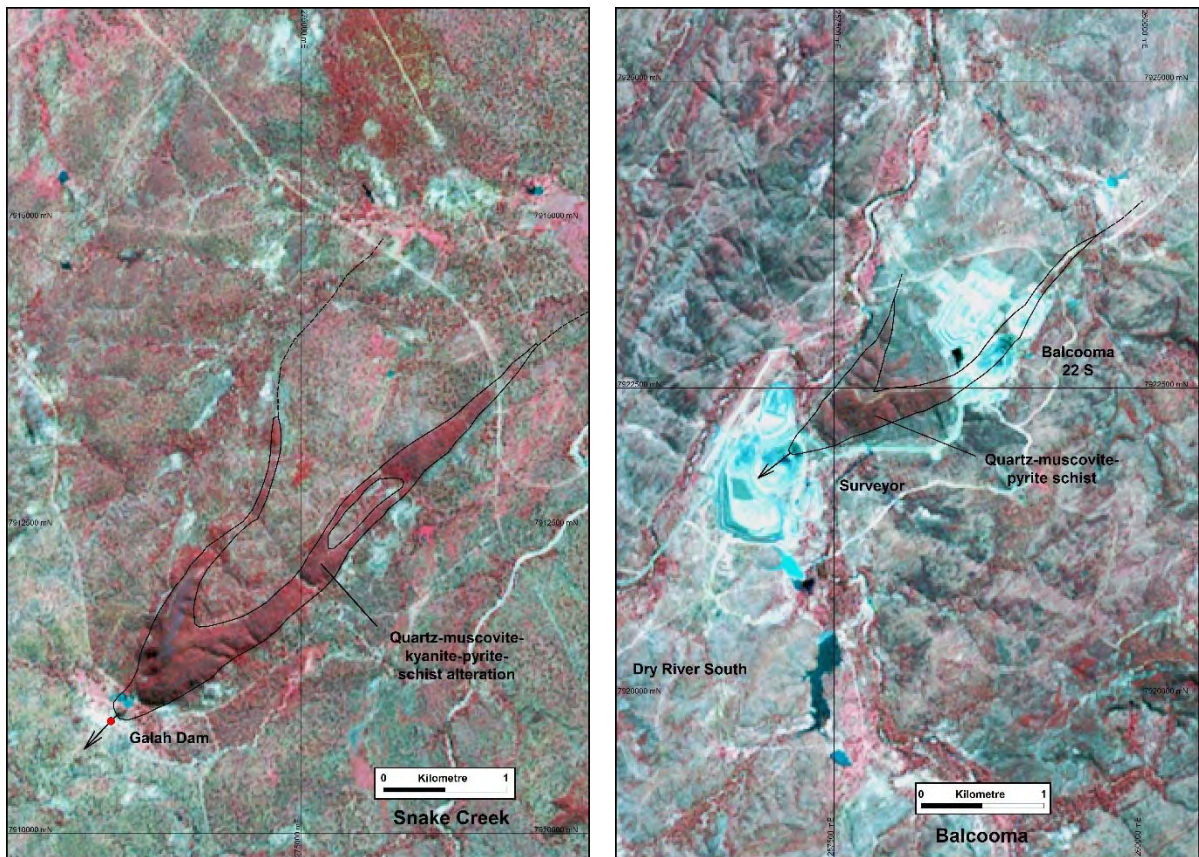


Figure 18. Aster imagery showing the large folded alteration zone at Galah Dam and the similarities with the alteration zone at Balcooma.

DIRECTORS' REPORT

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Superior Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2016.

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

Mr D J Horton was a director from the start of the year until his retirement on 16 November 2015.

PRINCIPAL ACTIVITIES

During the year the principal activity of the Group was exploration for base metals and gold in northern Queensland, Australia. There were no significant changes in the nature of the company's activities during the year and no 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 \$2,458,561 (2015 loss: \$475,386). The substantially increased operating loss is a result of the surrender of two exploration permits (EPM15040 (Suliman Creek) and EPM16028 (Victor Creek)) against which, capitalised exploration expenditure to the value of \$2,024,655 has been written off.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

	2016
	\$
(a) Significant gains and expenses:	
Expenses:	
Impairment of available for sale financial asset	42,000
Tenement expenditure written off	2,024,655
(b) Contributed equity increased by \$111,010 as the result of 11,101,000 shares at \$0.01 per share issued to the Company's management and sophisticated investors in January 2016.	

DIRECTORS' REPORT

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 14 July 2016 the Company issued 29,375,000 shares at \$0.008 per share to sophisticated investors for a total of \$235,000. A further placement of \$64,000 to some of the Directors will be completed subject to shareholder approval of the Director's subscriptions and the attaching options to the placement shares. A total of \$299,000 was raised, of which \$80,000 had been received as cash prior to 30 June 2016.

There are no matters or circumstances that have arisen since 30 June 2016 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. *Managing director. Age 47*

Experience and expertise

Originally an exploration geologist, Mr Hwang worked as a solicitor for 15 years in national law firms specialising in resources 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.

Member of the audit committee.

Interests in shares and options

6,677,974 ordinary shares in Superior Resources Limited.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS (continued)

Carlos Fernicola B.Com, FCA, F Fin FCIS FCSA *Chairman. Age 55*

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.

Interests in shares and options

10,340,000 ordinary shares in Superior Resources Limited

Kenneth James Harvey M.Sc, MAusIMM, MAIG, MSEG, MGSA. *Non-executive Director. Age 71*

Experience and expertise

Mr Harvey has 46 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

None

Interests in shares and options

19,454,432 ordinary shares in Superior Resources Limited

David John Horton M.Sc, MGSA, MAIG, MSEG. *Non-executive Director. Age 66 (Retired 16 November 2015)*

Experience and expertise

Mr Horton has 43 years experience in mineral exploration, project and prospect generation, management and resource evaluation. Mr Horton was a director from the start of the year until his retirement on 16 November 2015.

Other current directorships

Executive director of Opal Horizon Limited since 2002.

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares and options

3,662,500 ordinary shares in Superior Resources Limited prior to retirement on 16 November 2015.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS (continued)

Company Secretary

The Company Secretary is Mr Carlos Alberto Fernicola B.Com, FCA, F Fin FCIS FCSA. 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 2016, 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
DJ Horton (Retired 16 November 2015)	1	1

Audit Committee

<i>Director</i>	<i>Meetings eligible to attend</i>	<i>Meetings attended</i>
CA Fernicola	2	2
KJ Harvey	2	2
DJ Horton (Retired 16 November 2015)	1	1

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The directors are pleased to present your Group's 2016 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 2015 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 31 to 33 for details about each director)</i>	
PH Hwang CA Fernicola KJ Harvey DJ Horton (Retired 16 November 2015)	
<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 2015 Annual General Meeting

Superior Resources Limited received more than 95% of "yes" votes on its remuneration report for the 2015 financial year. 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.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

2016	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
DJ Horton (Retired 16 November 2015)	9,000	-	-	9,000
<i>Other key management personnel</i>				
CA Fernicola (Company Secretary)	24,000	-	-	24,000
Sub-total non-executive directors and other key management personnel	78,918	2,082	-	81,000
<i>Executive directors</i>				
PH Hwang - Managing Director	211,000	20,045	-	231,045
Totals	289,918	22,127	-	312,045

2015	Short-term benefits	Post- employment benefits	Share- based payments	
Name	Cash salary and fees \$	Superannuation \$	Options \$	Total \$
<i>Non-executive directors</i>				
CA Fernicola	21,000	-	-	21,000
KJ Harvey	27,724	2,629	-	30,353
DJ Horton	24,000	-	-	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	96,724	2,629	-	99,353
<i>Executive directors</i>				
PH Hwang - Managing Director	211,000	20,045	-	231,045
Totals	307,724	22,674	-	330,398

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 2016 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 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. There were no options or performance rights on issue at 30 June 2016.

2016 Name	<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	4,677,974	-	2,000,000	-	6,677,974
CA Fernicola	9,340,000	-	1,000,000	-	10,340,000
KJ Harvey	18,454,432	-	1,000,000	-	19,454,432
DJ Horton*	3,662,500	-	-	(3,662,500)	-
(* Retired 16 November 2015)					

(l) Loans to key management personnel

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

(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

There are no unissued ordinary shares of SPQ under option at the date of this report.

During the year ended 30 June 2016, 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 \$12,410 to insure the directors and secretaries 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 the 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 40.

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, 30 September 2016

**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 2016, 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

PKF HACKETTS AUDIT



Liam Murphy
Partner

Brisbane, 30th September 2016

Corporate Governance Statement

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.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

Financial Report

	Note	2016 \$	2015 \$
Other income	8	2,437	6,960
Accounting and audit fees		(30,088)	(51,560)
Administration expenses		(344,134)	(298,427)
Depreciation and amortisation		(3,700)	(4,597)
Impairment of available-for-sale financial assets	12	(42,000)	(63,000)
Office rent and outgoings		(16,421)	(40,494)
Tenement expenditure written off	15	(2,024,655)	(24,268)
Loss before income tax		(2,458,561)	(475,386)
Income tax (expense) / benefit	9	-	-
Loss for the year from continuing operations attributable to owners of Superior Resources Limited		(2,458,561)	(475,386)
		Cents	Cents
Earnings (loss) per share			
Basic earnings (loss) per share	29	(1.01)	(0.24)
Diluted earnings (loss) per share	29	(1.01)	(0.24)

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 2016**

	Note	2016 \$	2015 \$
Loss for the year		(2,458,561)	(475,386)
Other comprehensive income / (loss) for the year, net of tax		-	-
Total comprehensive income / (loss) for the year attributable to owners of Superior Resources Limited		<u>(2,458,561)</u>	<u>(475,386)</u>

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 2016

	Note	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	98,472	359,471
Trade and other receivables	11	66,975	65,919
Available-for-sale financial assets	12	28,000	-
Total Current Assets		193,447	425,390
Non-Current Assets			
Property, plant and equipment	13	13,710	9,964
Available-for-sale financial assets	14	-	70,000
Exploration expenditure	15	2,835,635	4,461,254
Other	17	25,000	27,500
Total Non-Current Assets		2,874,345	4,568,718
Total Assets		3,067,792	4,994,108
LIABILITIES			
Current Liabilities			
Payables	18	360,232	172,579
Total Current Liabilities		360,232	172,579
Non-Current Liabilities			
Payables	18	235,288	-
Total Non-Current Liabilities		235,288	-
Total Liabilities		595,520	172,579
Net Assets		2,472,272	4,821,529
Equity			
Contributed equity	20	7,876,230	7,766,926
Retained profits (accumulated losses)	21	(5,403,958)	(2,945,397)
Total Equity		2,472,272	4,821,529

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 2016**

	Contributed equity \$	Retained Earnings (Accumulated Losses) \$	Total \$
Balance at 1 July 2014	7,229,441	(2,470,011)	4,759,430
Loss for the year	-	(475,386)	(475,386)
Other comprehensive income / (loss)	-	-	-
Total comprehensive income for the year	-	(475,386)	(475,386)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	537,485	-	537,485
Balance at 30 June 2015	7,766,926	(2,945,397)	4,821,529
Loss for the year	-	(2,458,561)	(2,458,561)
Other comprehensive income / (loss)	-	-	-
Total comprehensive income for the year	-	(2,458,561)	(2,458,561)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	109,304	-	109,304
Balance at 30 June 2016	7,876,230	(5,403,958)	2,472,272

The accompanying notes form part of these financial statements

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers (GST inclusive)		20,576	12,941
Payments to suppliers and employees (GST inclusive)		(154,092)	(297,540)
Interest received		2,437	6,960
Research and development tax refund		-	60,654
		<hr/>	<hr/>
Net cash inflow(outflow) from operating activities	28	(131,079)	(216,985)
Cash flows from investing activities			
Payments for exploration expenditure		(293,268)	(319,130)
Payments for property, plant and equipment		(7,446)	-
Payment/(refund) of security deposits		2,500	(2,500)
		<hr/>	<hr/>
Net cash inflow(outflow) from investing activities		(298,214)	(321,630)
Cash flows from financing activities			
Proceeds on issue of shares		170,000	554,920
Payment of capital raising costs		(1,706)	(17,435)
		<hr/>	<hr/>
Net cash inflow(outflow) from financing activities		168,294	537,485
		<hr/>	<hr/>
Net increase (decrease) in cash held		(260,999)	(1,130)
Cash at beginning of financial year		359,471	360,601
		<hr/>	<hr/>
Cash at the end of financial year	10	<u>98,472</u>	<u>359,471</u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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 30 September 2016.

(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 2016**

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.

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 2016

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 2016

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. 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 2016

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 2016

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 2016**

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 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 'Financial Instruments', and the relevant amending standards - effective for annual reporting periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of these amendments to AASB 9 will have a material impact on the Group's consolidated financial statements.

AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations' - effective for annual reporting periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to AASB 11 will have a material impact on the Group's consolidated financial statements.

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 2016**

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:

	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents	98,472	359,471
Trade and other receivables	66,975	65,919
Available-for-sale financial assets	28,000	70,000
	193,447	495,390
Financial liabilities		
Trade and other payables	595,520	172,579
	595,520	172,579

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).

	2016	2015
	\$	\$
Cash at bank and short-term bank deposits		
	98,472	359,471
	98,472	359,471

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 2016**

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 \$95,099 (2015: \$351,597) 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 2016							
Trade and other payables	329,556	30,676	235,288	-	-	595,520	595,520
	329,556	30,676	235,288	-	-	595,520	595,520
At 30 June 2015							
Trade and other payables	172,579	-	-	-	-	172,579	172,579
	172,579	-	-	-	-	172,579	172,579

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% (2015 – 25%) from balance date fair value with all other variables held constant.

	Impact on post-tax loss				Impact on reserves			
	2016		2015		2016		2015	
	\$	\$	\$	\$	\$	\$	\$	\$
	+25%	-25%	+25%	-25%	+25%	-25%	+25%	-25%
Investment in Deep Yellow Limited	7,000	(7,000)	17,500	(17,500)	-	-	-	-

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.

At 30 June 2016, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax loss for the year would have been \$2,290 lower/higher (2015 – change of 100 bps \$3,519 higher/lower), as a result of higher/lower interest income from cash and cash equivalents.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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 exploration expenditure of \$2,835,635 (2015: \$4,461,254). 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 area moves into the development phase, is abandoned or sold. Given exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable resources and the difficulty in forecasting cash flows to assess the fair value of exploration expenditure there is uncertainty as to the carrying value of exploration expenditure. The ultimate recovery of the carrying value of exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interest in the tenements.

6. Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

During the year the Group made a loss before tax of \$2,458,561 (2015: loss of \$475,386), and recorded a deficiency of net current assets of \$166,785. 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 the event that the Group is unable to raise future funding requirements there exists a material uncertainty 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

7. Segment information

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

	2016	2015
	\$	\$
8. Other income		
Interest	2,437	6,960

9. Income tax

	2016	2015
	\$	\$
(a) Numerical reconciliation of income tax expense / (income) to prima facie tax payable		
Profit (loss) from continuing operations before income tax expense	(2,458,561)	(475,386)
Tax at the Australian tax rate of 30% (2015: 30%)	(737,568)	(142,615)
Adjustments for current tax of prior years	-	62
Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	737,568	142,553
Income tax expense / (benefit)	-	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	6,295,017	3,834,750
Potential tax benefit @ 30% (Note 16)	1,888,505	1,150,425
Franking credits available for use in subsequent financial years	251,146	251,146

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
10. Current assets - Cash and cash equivalents		
Cash at bank and on hand	98,472	359,471
	<u>98,472</u>	<u>359,471</u>
	2016	2015
	\$	\$
11. Current assets - Trade and other receivables		
Other receivables	13,200	6,379
Prepayments	53,775	59,540
	<u>66,975</u>	<u>65,919</u>
	2016	2015
	\$	\$
12. Current assets – Available-for-sale financial assets		
Listed securities		
Equity securities	28,000	-
	<u>28,000</u>	<u>-</u>
At beginning of year (Note 14)	70,000	-
Impairment of available-for-sale financial assets	(42,000)	-
	<u>28,000</u>	<u>-</u>
	2016	2015
	\$	\$
13. Non-current assets – Property, plant and equipment		
Equipment / software – at cost	79,239	71,793
Accumulated depreciation	(65,529)	(61,829)
	<u>13,710</u>	<u>9,964</u>
	2016	2015
	\$	\$
	Equipment / Software	
	\$	
Year ended 30 June 2016		
Opening net book amount	9,964	
Additions	7,446	
Depreciation charge	(3,700)	
Closing net book amount	<u>13,710</u>	
Year ended 30 June 2015		
Opening net book amount	14,561	
Additions	-	
Depreciation charge	(4,597)	
Closing net book amount	<u>9,964</u>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
14. Non-current assets – Available-for-sale financial assets		
Listed securities		
Equity securities	-	70,000
	<hr/>	<hr/>
At beginning of year (Note 12)	-	133,000
Impairment of available-for-sale financial assets	-	(63,000)
	<hr/>	<hr/>
	-	70,000

15. Non-current assets – Exploration expenditure

	2016	2015
	\$	\$
Exploration phase property costs		
Deferred geological, geophysical, drilling and other expenditure – at cost	2,835,635	4,461,254
	<hr/>	<hr/>
The capitalised exploration expenditure carried forward above has been determined as follows:		
Opening balance	4,461,254	4,193,269
Expenditure incurred during the year	399,036	292,253
Exploration abandoned	(2,024,655)	(24,268)
	<hr/>	<hr/>
	2,835,635	4,461,254

Exploration abandoned in 2016 relates to surrender of two exploration permits (EPM15040 (Sulieman Creek) and EPM16028 (Victor Creek)) against which capitalised exploration expenditure to the value of \$2,024,655 has been written off.

16. Non-current assets – Deferred tax assets

	2016	2015
	\$	\$
Deferred tax assets	-	-
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Accruals	28,421	13,232
Employee entitlements	9,203	5,854
Business capital costs	21,089	20,818
Tax losses	2,644,762	2,427,158
	<hr/>	<hr/>
<i>Amounts recognised in equity</i>		
Business capital costs	21,151	30,945
Tax losses	30,380	20,074
Total deferred tax assets	<hr/>	<hr/>
	2,755,006	2,518,081
Set-off of deferred tax assets/liabilities pursuant to set-off provisions (Note 19)	(866,501)	(1,367,656)
Net adjustment to deferred tax assets for tax losses not recognised	(1,888,505)	(1,150,425)
	<hr/>	<hr/>
Net deferred tax assets	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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

Movements in deferred tax assets:

	Accruals \$	Employee entitlements \$	Business capital costs \$	Tax losses incurred \$	Other \$	Total \$
At 30 June 2014	7,860	3,990	53,724	2,235,130	411	2,301,115
(Charged)/credited to profit or loss	5,372	1,864	3,012	201,898	(411)	211,735
(Charged)/credited to contributed equity	-	-	(4,973)	10,204	-	5,231
At 30 June 2015	13,232	5,854	51,763	2,447,232	-	2,518,081
(Charged)/credited to profit or loss	15,189	3,349	271	217,604	-	236,413
(Charged)/credited to contributed equity	-	-	(9,794)	10,306	-	512
At 30 June 2016	28,421	9,203	42,240	2,675,142	-	2,755,006

17. Non-current assets – Other

Security deposits

2016
\$

2015
\$

25,000

27,500

2016
\$

2015
\$

18. Payables

Current liabilities

Trade payables

165,416

44,142

Other payables

113,632

41,158

Other payables – related party

50,508

67,765

Employee entitlements

30,676

19,514

360,232

172,579

Non-current liabilities

Other payables – related party

235,288

-

235,288

-

Total Payables

595,520

172,579

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016 \$	2015 \$
19. 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	850,690	1,338,376
Investment	(2,372)	10,228
Prepayments	15,376	16,245
Property, plant and equipment	2,807	2,807
Total deferred tax liabilities	866,501	1,367,656
Set-off of deferred tax assets/liabilities pursuant to set-off provisions (Note 16)	(866,501)	(1,367,656)
Net deferred tax liabilities	-	-

Movements in deferred tax liabilities:

	Exploration expenditure \$	Available -for-sale financial assets \$	Prepayments \$	Property, plant and equipment \$	Other \$	Total \$
At 30 June 2014	1,257,981	29,128	7,265	4,036	64	1,298,474
(Charged)/credited to profit or loss	80,395	(18,900)	8,980	(1,229)	(64)	69,182
Charged /(credited) to other comprehensive income	-	-	-	-	-	-
At 30 June 2015	1,338,376	10,228	16,245	2,807	-	1,367,656
(Charged)/credited to profit or loss	(487,686)	(12,600)	(869)	-	-	(501,155)
Charged /(credited) to other comprehensive income	-	-	-	-	-	-
At 30 June 2016	850,690	(2,372)	15,376	2,807	-	866,501

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
20. Contributed equity		
249,762,372 (2015: 238,661,372) ordinary shares fully paid	7,876,230	7,766,926

(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 2014	Balance	176,944,372		7,229,441
19 December 2014	Shares issued	30,592,000	0.010	305,920
	Share issue expenses			(17,435)
5 June 2015	Shares issued	31,125,000	0.008	249,000
	Share issue expenses			-
At 30 June 2015	Balance	238,661,372		7,766,926
29 January 2016	Shares issued	11,101,000	0.01	111,010
	Share issue expenses			(1,706)
At 30 June 2016	Balance	249,762,372		7,876,230

(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.

(c) 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 2016 totals \$nil (2015: \$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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
21. Retained profits (Accumulated losses)		
Retained profits / (accumulated losses)	(5,403,958)	(2,945,397)
<i>Movements:</i>		
Balance 1 July	(2,945,397)	(2,470,011)
Profit / (loss) for the year	(2,458,561)	(475,386)
Balance 30 June	(5,403,958)	(2,945,397)

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). The commencement of the JVA was subject to certain conditions to be satisfied.

Formal arrangements between DRX and MIM Holdings Limited (MIM) for the transfer of Tick Hill mining leases were finalised by the signing of a Sale Implementation Deed between those parties on 7 November 2014. The transfer of the mining leases to DRX from MIM was completed on 20 March 2015.

On 30 January 2015, the consolidated entity and DRX confirmed that the remaining conditions of the JVA had been waived and as a result, the consolidated entity was entitled to commence earning into the THGP from 1 January 2015.

Under the JVA the consolidated entity has the right to earn a 50% interest in the THGP by spending a minimum of \$750,000 on exploration, which will include substantial drilling over a two year earn-in period (which can be extended by agreement). All expenditure incurred by the consolidated entity on the Surface Gold Project (involving the tailings, alluvial-colluvial gold and all other surface sources of gold) will constitute earn-in expenditure and will be counted towards the \$750,000 minimum earn-in obligation. During the earn-in period the consolidated entity will have sole and exclusive right to access and conduct exploration on the THGP as well as to determine the nature of the exploration programs. Upon a transfer of a 50% interest in the THGP, the consolidated entity will be required to pay DRX \$100,000 and an amount equal to 50% of the government security bond on the mining leases.

MIM retains a royalty on gold produced from the mining leases, which is set at a variable rate depending on the annual grade of gold produced from mining. The royalty applies initially to gold produced above 5g/t Au and then, after payment of royalties totalling \$5m, to gold produced above 10g/t Au. A separate royalty rate applies to gold produced from tailings resulting from previous mining.

The consolidated entity had not earned any interest in the joint venture as at 30 June 2016.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

22. Joint venture entities (continued)

Nicholson Project

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

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

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

On satisfaction of the earn in rights by Teck Australia, the parties will be in a 70:30 (Teck Australia : Superior Resources) joint venture.

The consolidated entity had not earned any interest in the joint venture as at 30 June 2016.

23. Key Management Personnel disclosures

(a) Key management personnel compensation

	2016	2015
	\$	\$
Short-term employee benefits	289,918	307,724
Post-employment benefits	22,127	22,674
Share-based payments	-	-
	312,045	330,398

Detailed remuneration disclosures are provided in the remuneration report on pages 34 to 37.

At 30 June 2016 \$281,796 remains payable (2015: \$67,765).

(b) Equity instrument disclosures relating to key management personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 34 to 37.

(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, was nil.

There were no options on issue at 30 June 2015 and 30 June 2016.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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 and their personally related entities is set out below:

2016	<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					
P H Hwang	4,677,974	-	2,000,000	-	6,677,974
C A Fernicola	9,340,000	-	1,000,000	-	10,340,000
K J Harvey	18,454,432	-	1,000,000	-	19,454,432
D J Horton*	3,662,500	-	-	3,662,500	-
(* Retired 16 November 2015)					

2015	<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					
P H Hwang	3,077,974	-	1,600,000	-	4,677,974
C A Fernicola	7,676,000	-	1,664,000	-	9,340,000
K J Harvey	16,628,443	-	1,825,989	-	18,454,432
D J Horton	3,262,500	-	400,000	-	3,662,500

(c) Other transactions with key management personnel

Mr D J Horton, a director until 16 November 2015, is also a director and shareholder of Opal Horizon Limited. Up until 16 November 2015 the company paid bookkeeping fees of \$5,675 (2015: \$15,779) to Opal Horizon Limited. The amounts were paid on normal commercial terms and conditions.

There are no other related party transactions.

24. Remuneration of auditors

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

	2016	2015
	\$	\$
<i>PKF Hacketts Audit</i>		
Audit or review of financial report	29,800	26,300
	<u>29,800</u>	<u>26,300</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

25. Contingencies

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

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 2016, are as follows:

	2016	2015
	\$	\$
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	834,633	1,036,456
Payable between one and five years	2,978,880	2,660,882
	3,813,513	3,697,338

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 \$25,000 (2015: \$27,500) are currently held by the relevant governing authorities to ensure compliance with granted tenement conditions.

27. Events occurring after the balance date

The Company completed a placement on 14 July 2016 to raise \$299,000 through an issue of fully paid ordinary shares to sophisticated investors at \$0.008 per new share, with a free attaching option (exercise price \$0.03 expiring 30 June 2019) for every new share subscribed. Some of the Directors participated in the placement for \$64,000. Shareholder approval will be sought for the Directors subscriptions and the attaching options to the placement shares.

A total of 29,375,000 shares were issued under the placement, with the balance of the placement to be issued following shareholder approval. A total of \$235,000 has been received, of which \$80,000 was received as cash prior to 30 June 2016.

No other 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 2016.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
28. Reconciliation of profit / (loss) after income tax to net cash flows from operating activities		
Profit / (loss) for the year	(2,458,561)	(475,386)
Depreciation and amortisation	3,700	4,597
Exploration abandoned	2,024,655	24,268
Impairment of available-for-sale financial assets	42,000	63,000
Changes in operating assets and liabilities:		
(Increase) / decrease in other receivables	(6,821)	58,024
(Increase) / decrease in prepayments	2,865	811
Increase/(decrease) in trade payables	39,415	24,764
Increase/(decrease) in other payables - current	(24,782)	76,722
Increase/(decrease) in other payables - non-current	235,288	-
Increase / (decrease) in employee entitlements	11,162	6,215
	<hr/>	<hr/>
Net cash outflow from operating activities	(131,079)	(216,985)
	<hr/> <hr/>	<hr/> <hr/>

29. Earnings (loss) per share

	2016	2015
	Cents	Cents
(a) Basic earnings (loss) per share		
Profit (loss) attributable to the ordinary equity holders of the company	<hr/> <hr/> (1.01)	<hr/> <hr/> (0.24)
(b) Diluted earnings (loss) per share		
Profit (loss) attributable to the ordinary equity holders of the company	<hr/> <hr/> (1.01)	<hr/> <hr/> (0.24)
(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	<hr/> <hr/> (2,458,561)	<hr/> <hr/> (475,386)
Diluted earnings(loss) per share		
Profit (loss) attributable to ordinary equity holders of the company used in calculating diluted earnings per share	<hr/> <hr/> (2,458,561)	<hr/> <hr/> (475,386)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

29. Earnings (loss) per share (continued)

	2016 Number	2015 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	243,332,285	195,252,265
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	243,332,285	195,252,265

30. Related party disclosures

(a) Parent entity

The parent entity within the Group is Superior Resources Limited.

(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	
		2016	2015	2016 \$	2015 \$
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.

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

31. Parent entity information

(a) Summary financial information

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

	2016	2015
	\$	\$
Statement of financial position		
Assets		
Current assets	193,078	425,376
Non-current assets	2,878,422	4,572,349
Total assets	3,071,500	4,997,725
Liabilities		
Current liabilities	359,986	172,579
Non-current liabilities	235,288	-
Total liabilities	595,274	172,579
Shareholders' equity		
Issued capital	7,876,230	7,766,926
Accumulated losses	(5,400,004)	(2,941,780)
	2,476,226	4,825,146
Statement of profit or loss and other Comprehensive Income		
Loss for the year	(2,458,224)	(473,553)
Total comprehensive income/(loss) for the year	(2,458,224)	(473,553)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2016.

DIRECTORS' DECLARATION

Directors' Declaration

In the directors' opinion:

1. the financial statements and notes set out on pages 42 to 69, 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 2016 and of its performance for the financial year ended on that date, and
2. with 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.

CA Fernicola
Chairman

Brisbane, 30 September 2016

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

Report on the Financial Report

We have audited the accompanying financial report of Superior Resources Limited, which comprises the consolidated statements of financial position as at 30 June 2016, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements 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 its controlled entity at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards (IFRS)*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the 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 consolidated 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 consolidated entity's 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Independence

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

Auditor's Opinion

In our opinion:

- a. the financial report of Superior Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. The consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphases of Matters - Going Concern and Capitalised Exploration Expenditure

Without modifying our opinion expressed above, we draw attention to the following matters:

- a) As a result of the matter described in Note 5 to the financial statements in relation to the critical accounting estimates and judgements applied to the capitalised exploration expenditure, there is uncertainty as to whether the consolidated entity will be able to recover the carrying value of exploration expenditure for the amount recorded in the financial report. The ultimate recovery of the carrying value of exploration expenditure, and future exploration expenditure, is dependent upon the consolidated entity continuing normal business operations culminating in the successful development and commercial exploitation or, alternatively, sale of the interest in the tenements; and
- b) As a result of the matter described in Note 6 to the financial statements in relation to going concern, there is material uncertainty that may cast significant doubt as to whether the consolidated entity will be able to continue normal business operations and therefore whether the consolidated entity will realise its assets and extinguish its liabilities in the normal course of business and at the amounts recorded in the financial report.

INDEPENDENT AUDITOR'S REPORT - CONTINUED
TO THE MEMBERS OF SUPERIOR RESOURCES LIMITED

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 37 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion the Remuneration Report of Superior Resources Limited for the year ended 30 June 2016 complies with s 300A of the *Corporations Act 2001*.

PKF HACKETTS

PKF Hacketts Audit



Liam Murphy
Partner

Dated this 30th day of September 2016

SHAREHOLDER INFORMATION

Shareholder Information

The information set out below was applicable at 26 September 2016.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Class of security - Ordinary Shares Range	Number of Holders
1 - 1,000	14
1,001 - 5,000	8
5,001 - 10,000	104
10,001 - 100,000	219
100,001 and over	190
Total	535

The number of holders holding less than a marketable parcel of ordinary shares was 296 and they held 6,136,346 securities.

B. EQUITY SECURITY HOLDERS

Total of Ordinary Shares on Issue 279,137,372.

Twenty largest equity security holders

The names of the twenty largest holders of equity securities are listed below:

Name	Ordinary Shares	
	Number	Percent
KJ Harvey & Associates Pty Ltd <Harvey No2 Super Fund A/C>	19,454,432	6.97
Dr Leon Eugene Pretorius	13,090,000	4.69
BT Portfolio Services Limited <The Kelly Family A/C>	11,250,000	4.03
Terry Taylor & Lynda Louise Taylor	9,483,336	3.40
BT Portfolio Services Limited <The Five Bazillion S/F A/C>	7,375,000	2.64
Terra Search Pty Ltd	6,838,333	2.45
HBH Family Pty Ltd <HBH Investment A/C>	5,983,333	2.14
Mr Simon David Beams & Mr Richard Hutton Lesh & Mr David Randal Jenkins <Terra Search S/F A/C>	5,516,666	1.98
Dr Leon Eugene Pretorius	5,500,000	1.97
Jorlyn Investments Pty Ltd	5,000,000	1.79
The Leanda Group Qld Pty Ltd <The Leanda Group Qld Pty Ltd	5,000,000	1.79
Mr Gavin John Wright & Mrs Pamela Gay Wright	4,832,810	1.73
Mr Simon David Beams & Mrs Ellen Mary Beams	4,600,000	1.65
Mr John Joseph Scholl & Mrs Patricia Joy Scholl	4,250,000	1.52
Donald Cameron McIntosh	4,000,004	1.43
Simon David Beams	3,616,668	1.30
Mr David William Perks & Mrs Barbara Perks	3,583,333	1.28
Horton Family Super Pty Ltd <Horton Super Fund A/C>	3,550,000	1.27
Capital Financial Advisers Pty Ltd	3,213,693	1.15
Carlos Alberto Fernicola & Kerrie Alison Fernicola	3,200,000	1.15
Total	129,337,608	46.33

SUPERIOR RESOURCES LIMITED (ABN 72 112 844 407)

SHAREHOLDER INFORMATION

Unquoted equity securities

There are no unlisted equity securities of Superior Resources Limited at the date of this report.

Holders of greater than 20% of the unquoted equity securities

There are no holders of unlisted equity securities of Superior Resources Limited at the date of this report.

C. SUBSTANTIAL HOLDERS

Substantial holders of the company's securities are set out below:

Shareholder	Number Held	Ordinary Shares	
		Percentage of Issued Shares	
Simon David Beams	23,846,667	8.54	
Kenneth James Harvey	19,454,432	6.97	
Leon Eugene Pretorius	18,590,000	6.66	

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below

(a) Ordinary shares

On a show of hands each member present at a meeting in person or by proxy shall have one vote and on a poll each share shall have one vote.

(b) Options

No voting rights

MINERAL RESOURCES STATEMENT

Tenement Schedule

Current interests in tenements held by Superior Resources Limited and its subsidiaries as at 26 September 2016 are set out below.

All tenure are located within Queensland. Exploration Permits for Minerals held are for all minerals other than coal.

Tenement	Name	Project	Date of Grant	Date of Expiry	Area	Holder	SPQ Interest
Northwest Queensland							
EPM15670 ¹	Hedleys 2	Nicholson	21 Aug 06	20 Aug 16	186 km ²	SPQ	100%
EPM18203 ¹	Hedleys South	Nicholson	29 May 14	27 May 18	126 km ²	SPQ	100%
EPM18840	Harris Creek	Victor	9 May 12	8 May 17	39 km ²	SPQ	100%
EPM19097	Tots Creek	Victor	27 Nov 14	26 Nov 19	354 km ²	SPQ	100%
EPM19214	Scrubby Creek	Victor	27 Nov 14	26 Nov 19	300 km ²	SPQ	100%
EPM25264	Tomahawk Creek	Victor	24 Dec 15	23 Dec 20	300 km ²	SPQ	100%
EPM25843	W Creek	Victor	24 Dec 15	23 Dec 20	75 km ²	SPQ	100%
ML7094 ²	Tick Hill 1	Tick Hill	20 Jun 91	30 Jun 21	130 ha	DRX	0%
ML7096 ²	Tick Hill 2	Tick Hill	20 Jun 91	30 Jun 21	130 ha	DRX	0%
ML7097 ²	Tick Hill 3	Tick Hill	20 Jun 91	30 Jun 21	130 ha	DRX	0%
Northeast Queensland							
EPM18987	Cockie Creek	Greenvale	25 Sep 13	24 Sep 18	171 km ²	SPQ	100%
EPM19247	Cassidy Creek	Greenvale	28 May 13	27 May 18	90 km ²	SPQ	100%
EPM25659	Dinner Creek	Greenvale	21 Apr 15	20 Apr 20	300 km ²	SPQ	100%
EPM25691	Wyandotte	Greenvale	7 Apr 15	6 Apr 20	210 km ²	SPQ	100%
EPM26165	Cockie South	Greenvale	Application		108 km ²	SPQ	100%
ML6750	One Mile	Greenvale	1 Nov 92	31 Oct 17	128 ha	SPQ	100%

Notes

1. Farm-in and Joint Venture Agreement Teck Australia Pty Ltd earning rights to a 70% interest in EPM15670 and EPM18203.

2. Farm-in and Joint Venture Agreement Superior Resources Limited earning rights to a 50% interest in ML7094, ML7096 and ML7097.

Abbreviations:

SPQ	Superior Resources Limited
DRX	Diatreme Resources Limited
EPM	Exploration Permit for Minerals
ML	Mining Lease
ha	hectare

MINERAL RESOURCES STATEMENT

Mineral Resources Statement

Mineral Resources at 30 June 2016

Project	Resource category	Cut-off grade	Quantity tonnes	Average grade	Notes
Cockie Creek Copper	Inferred	0.25% Cu	13,000,000	0.42% Cu	1, 2
Tick Hill Gold Project Tailings	Indicated	0.5g/t Au	630,000	1.08g/t Au	3, 4

Notes:

1. Cockie Creek Copper Prospect lies approximately 5km northeast of Superior's "One Mile" mining lease, ML6750, within granted EPM18987 "Cockie Creek" and is located 210km west-northwest of Townsville, Queensland, Australia.
2. Competent person – Mineral Resources, Mr Ken Harvey (MAusIMM, MAIG)
3. The Tick Hill Gold Project Tailings is within ML7094 and ML709. The Tick Hill Gold Project incorporating ML's 7094, 7096, and 7097 is operated as a Joint Venture between Diatreme Resources Limited and Superior Resources Limited and is located 110km south southwest of Mount Isa, Queensland, Australia.
4. Competent person – Mineral Resources, Mr Ian Reudavey (MAIG)

Cockie Creek Copper Prospect

The information in relation to the Cockie Creek Copper Prospect Mineral Resources has been reported in an announcement to the Australian Securities Exchange (ASX) on 27 March 2013 "Cockie Creek Copper Prospect Inferred Resource" which complies with the guidelines of the 2004 JORC Code. It has not been updated since on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by Mr Ken Harvey, a director and shareholder of the Company, who is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Harvey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harvey consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Tick Hill Gold Project Tailings

The information in relation to the Tick Hill Gold Project Tailings Mineral Resources has been reported in an announcement to the Australian Securities Exchange (ASX) on 19 January 2016 "Tick Hill – Maiden Resource Estimate" which complies with the guidelines of the 2012 JORC Code.

The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by Mr Ian Reudavey, Chief Geologist of Diatreme Resources Limited, who is a Member of the Australian Institute of Geoscientists. Mr Reudavey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Reudavey consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

MINERAL RESOURCES STATEMENT

Mineral Resource and Ore Reserve Governance

The Mineral Resources reported have been generated by a suitably qualified person using industry standard best practice modelling and estimation methods.

Mineral Resources and Ore Reserves are compiled in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition.

The Mineral Resources Statement included in the annual report is reviewed by a suitably qualified Competent Person.

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