

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**GENERAL PURPOSE FINANCIAL REPORT**  
**For the year ended 30 June 2007**

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**DIRECTORS' REPORT**

Your Directors present their report on Superior Resources Limited for the year ended 30 June 2007.

**Directors**

The following persons were Directors of Superior Resources Limited during the whole of the year and up to the date of this report:

L J Litzow  
K J Harvey  
D J Horton

**Principal activities**

The principal activity of the company is the exploration for base metals in Australia. There were no significant changes in the nature of the company's activities or state of affairs during the year and no changes are anticipated.

**Dividends**

Since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of \$3,739,252 (7.5 cents per share) which was paid on 18 July 2007 out of retained profits at 30 June 2007.

**Review of operations**

The profit for the year was \$7,105,578 after income tax expense of \$3,041,765 (2006 : loss of \$5,593).

**Significant changes in the state of affairs**

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

*Significant gains*

	<b>2007</b>
	\$
Gain on sale of investment – Superior Uranium Pty Ltd	9,397,405
Gain on sale of available-for-sale financial assets	928,502
	<hr/>
	10,325,907
	<hr/>

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**DIRECTORS' REPORT**  
**(continued)**

**Matters subsequent to the end of the financial year**

Since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of \$3,739,252 (7.5 cents per share) which was paid on 18 July 2007 out of retained profits at 30 June 2007.

Since the end of the financial year the company has also issued 5,000,000 fully paid ordinary shares at \$0.20 each to raise \$1,000,000 cash.

Since the end of the financial year the market value of the company's investment in financial assets available-for-sale has declined to \$2,100,000.

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 2007.

**Likely developments**

The company will proceed to an Initial Public Offering.

**Environmental regulation**

The company is not subject to any significant environmental regulation (apart from normal requirements under its mineral tenements) in respect of its operations.

**Information on Directors**

<i>Director</i>	<i>Qualifications</i>	<i>Experience</i>	<i>Special responsibilities</i>
Non-Executive: L J Litzow	F.C.A., A.A.U.Q., A.C.I.S	Professional company Director and Corporate Secretary in various industries.	Chairman and Corporate Secretary
Executive: K J Harvey	M.Sc., M.Aus.I.M.M., M.A.I.G., M.S.E.G., M.G.S.A.	37 years experience in mineral exploration, project evaluation, resource estimation and exploration management.	Managing Director
Non-Executive: D J Horton	M.Sc., M.A.I.G., M.S.E.G., M.G.S.A.	34 years experience in mineral exploration, project and prospect generation, management and resource evaluation.	

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**ABN 72 112 844 407**

**DIRECTORS' REPORT**  
**(continued)**

**Meetings of Directors**

The numbers of meetings of the company's board of Directors held during the year ended 30 June 2007, and the numbers of meetings attended by each director were:

<i>Director</i>	<i>Meetings held</i>	<i>Meetings attended</i>
L J Litzow	6	6
K J Harvey	6	6
D J Horton	6	6

**Company Secretary**

The Company Secretary is L J Litzow. Details of L J Litzow's qualifications and experience are recorded under Information on Directors.

**Shares under option**

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

<b>Date options granted</b>	<b>Expiry date</b>	<b>Issue price of shares</b>	<b>Number under option</b>
19 March 2007	30 June 2011	\$0.50	4,000,000
17 May 2007	30 June 2011	\$0.50	600,000
			<hr/> <u>4,600,000</u>

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

**Insurance of officers**

During the financial year the company did not pay a premium to insure certain officers of the company. However, at an appropriate time the company will be seeking to insure certain officers of the company under an appropriate Directors and Officers insurance policy.

**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.

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**DIRECTORS' REPORT**  
**(continued)**

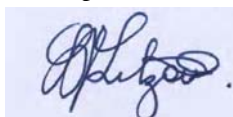
**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

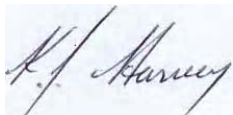
**Auditor**

Pitcher Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.



L J Litzow  
Chairman



K J Harvey  
Director

Brisbane, 17 August 2007



**PITCHER PARTNERS**

ACCOUNTANTS AUDITORS & ADVISORS

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Brisbane  
Queensland 4000

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

In relation to our audit of the financial report of Superior Resources Limited for the year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PITCHER PARTNERS

S A Green  
Partner

Brisbane, 17 August 2007

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**DIRECTORS' DECLARATION**

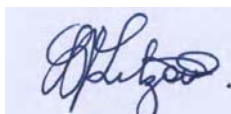
The Directors declare that the financial statements and notes set out on pages 7 to 28:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory financial reporting requirements; and
- (b) give a true and fair view of the company's financial position as at 30 June 2007 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

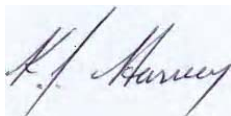
In the Directors' opinion:

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

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



L J Litzow  
Chairman



K J Harvey  
Director

Brisbane, 17 August 2007

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
Revenue from continuing operations	5	41,150	10,901
Other income	6	10,325,907	-
Accounting and audit fees		(24,394)	(10,300)
Depreciation		(2,104)	-
Office rent and outgoings		(17,300)	-
Travel and accommodation		(5,375)	(1,541)
Exploration written off		(152,449)	-
Other expenses		(18,092)	(4,653)
		<hr/>	<hr/>
Profit / (loss) before income tax	7	10,147,343	(5,593)
Income tax expense	8	(3,041,765)	-
		<hr/>	<hr/>
<b>Profit / (loss) for the year</b>		<b>7,105,578</b>	<b>(5,593)</b>
		<hr/>	<hr/>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	28	14.25	(0.02)
Diluted earnings per share	28	13.92	(0.02)

The accompanying notes form part of these financial statements.

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**BALANCE SHEET**  
**AS AT 30 JUNE 2007**

	Note	2007 \$	2006 \$
<b>Current Assets</b>			
Cash and cash equivalents	9	6,752,445	566,456
Trade and other receivables	10	102,566	9,133
<b>Total Current Assets</b>		<u>6,855,011</u>	<u>575,589</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	24,291	-
Available-for-sale financial assets	12	3,920,000	-
Exploration expenditure	13	657,491	173,592
Deferred tax asset	14	13,471	-
Other	15	22,500	20,000
<b>Total Non-Current Assets</b>		<u>4,637,753</u>	<u>193,592</u>
<b>Total Assets</b>		<u>11,492,764</u>	<u>769,181</u>
<b>Current Liabilities</b>			
Payables	16	5,000	26,035
Income tax payable	17	1,854,772	-
<b>Total Current Liabilities</b>		<u>1,859,772</u>	<u>26,035</u>
<b>Non-Current Liabilities</b>			
Deferred tax liability	18	1,363,225	-
<b>Total Non-Current Liabilities</b>		<u>1,363,225</u>	<u>-</u>
<b>Total Liabilities</b>		<u>3,222,997</u>	<u>26,035</u>
<b>Net Assets</b>		<u>8,269,767</u>	<u>743,146</u>
<b>Equity</b>			
Contributed equity	19	755,817	751,274
Reserves	20(a)	416,500	-
Retained profits / (Accumulated losses)	20(b)	7,097,450	(8,128)
<b>Total Equity</b>		<u>8,269,767</u>	<u>743,146</u>

The accompanying notes form part of these financial statements.

**SUPERIOR RESOURCES LIMITED**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
Total equity at the beginning of the financial year		743,146	167,465
Changes in the fair value of available-for-sale financial assets, net of tax	20(a)	416,500	-
Net income recognised directly in equity		416,500	-
Profit for the year		7,105,578	(5,593)
Total recognised income and expense for the year		7,522,078	(5,593)
Transactions with equity holders in their capacity as equity holders:			
Contributed equity issues		-	596,417
Capital raising costs	19	4,543	(15,143)
Total equity at the end of the year		8,269,767	743,146

The accompanying notes form part of these financial statements.

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$ Inflows / (Outflows)	2006 \$ Inflows / (Outflows)
<b>Cash flows from operating activities</b>			
Receipts (gst inclusive)		33,994	15,199
Interest received		41,150	10,901
Payments to suppliers (gst inclusive)		(187,498)	(39,726)
<b>Net cash inflow(outflow) from operating activities</b>	26	(112,354)	(13,626)
<b>Cash flows from investing activities</b>			
Payments for exploration expenditure		(738,943)	(128,478)
Proceeds from sale of available-for-sale financial assets		7,103,502	-
Payments for security deposits		(2,500)	(20,000)
Payments for property, plant and equipment		(26,395)	-
<b>Net cash inflow(outflow) from investing activities</b>		6,335,664	(148,478)
<b>Cash flows from financing activities</b>			
Proceeds on issue of shares		-	596,417
Payment of capital raising costs		(37,321)	(15,143)
<b>Net cash inflow(outflow) from financing activities</b>		(37,321)	581,274
Net increase (decrease) in cash held		6,185,989	419,170
Cash at beginning of financial year		566,456	147,286
<b>Cash at the end of financial year</b>	9	<u>6,752,445</u>	<u>566,456</u>

The accompanying notes form part of these financial statements.

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**1. Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

*Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Superior Resources Limited comply with International Financial Reporting Standards (IFRS).

*Early adoption of standards*

The company has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- Revised AASB 101 *Presentation of Financial Statements (issued October 2006)*

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

*Historical Cost Convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value either through profit or loss or directly in equity.

*Critical accounting estimates*

The preparation of the financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**(b) Segment reporting**

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**1. Summary of Significant Accounting Policies (continued)**

**(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity.

**(d) Income Tax**

The income tax expense for the year is the tax payable on the current year's taxable income based upon the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax assets or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(e) Cash and cash equivalents**

For cash flow statement 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.

**(f) 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 sheet date.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**1. Summary of Significant Accounting Policies (continued)**

**(f) Investments and other financial assets (continued)**

*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 equity.

*Fair value*

The fair values of quoted investments are based on current bid prices.

*Impairment*

The company 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, 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 removed from equity and 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.

**(g) Fair value estimation**

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 sheet date. The quoted market price used for financial assets is the current bid price.

**(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 assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 in 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.

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**1. Summary of Significant Accounting Policies (continued)**

**(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.

**(m) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, 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.

**SUPERIOR RESOURCES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**1. Summary of Significant Accounting Policies (continued)**

**(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 balance sheet.

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) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the company's financial instruments.

(ii) *AASB-1 10 Interim Financial Reporting and Impairment*

AASB-1 10 is applicable to reporting periods commencing on or after 1 November 2006. The company has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the company's financial statements.

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**2. Financial risk management**

The company's activities expose it to a variety of financial risks; market risk, credit risk, liquidity risk and cash flow interest rate risk.

*Market risk*

The company is exposed to equity securities price risk. This arises from investments held by the company and classified on the balance sheet as available-for-sale. The company is not exposed to commodity price risk.

*Credit risk*

The company has no significant concentrations of credit risk. The company has policies in place to ensure that sales of products are made to customers with appropriate credit history.

*Cash flow and fair value interest rate risk*

As the company has no significant interest-bearing assets or borrowings, the company's income and operating cash flows are not materially exposed to changes in market interest rates.

**3. 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 company has capitalised exploration expenditure of \$657,491. 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.

**4. Segment information**

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

**SUPERIOR RESOURCES LIMITED**  
**ABN 72 112 844 407**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>5. Revenue</b>		
<b>From continuing operations</b>		
<i>Other revenue</i>		
Interest	41,150	10,901
	41,150	10,901
	41,150	10,901
<b>6. Other income</b>		
Net gain on sale of available-for-sale financial assets	928,502	-
Net gain on sale of investment	9,397,405	-
	10,325,907	-
	10,325,907	-
<b>7. Expenses</b>		
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Plant and equipment	2,104	-
Exploration expenditure written off	152,449	-
<b>8. Income tax expense</b>		
<b>(a) Income tax expense</b>		
Current tax	1,854,772	-
Deferred tax	1,186,993	-
	3,041,765	-
	3,041,765	-
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	10,147,343	(5,593)
Tax at the Australian tax rate of 30% (2006 – 30%)	3,044,203	(1,678)
Tax effect of amounts which are not deductible in calculating taxable income	-	-
Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	(2,438)	1,678
	3,041,765	-
	3,041,765	-

**SUPERIOR RESOURCES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>8. Income tax expense (continued)</b>		
<b>(c) Amounts recognised directly in equity</b>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity	173,957	-
Net deferred tax – debited (credited) directly to other assets	(11,196)	-
	162,761	-
<b>(d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	-	180,787
Potential tax benefit at 30%	-	54,236
<b>(e) Franking credits</b>		
Franking credits available for use in subsequent financial years	1,854,772	-
<b>9. Current assets - Cash and cash equivalents</b>		
Cash at bank and on hand	6,752,445	566,456
<b>10. Current assets - Trade and other receivables</b>		
Other receivables	79,817	9,133
Prepayments	22,749	-
	102,566	9,133

**Other receivables**

These amounts generally arise from transactions outside the usual operating activities of the company.

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**ABN 72 112 844 407**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>11. Non-current assets – Plant and equipment</b>		
Equipment / software – at cost	26,395	-
Accumulated depreciation	(2,104)	-
	24,291	-
	Equipment / Software \$	
<b>Year ended 30 June 2007</b>		
Opening net book amount	-	
Additions	26,395	
Depreciation charge	(2,104)	
Closing net book amount	24,291	
	<b>2007</b>	<b>2006</b>
	\$	\$
<b>12. Non-current assets – Available-for-sale financial assets</b>		
Listed securities		
Equity securities	3,920,000	-
At beginning of year	-	-
Additions	9,500,000	-
Disposals	(6,175,000)	-
Revaluation surplus transfer to equity	595,000	-
	3,920,000	-
<p>Since the end of the financial year the market value of the company's investment in financial assets available-for-sale has declined to \$2,100,000.</p>		
<b>13. Non-current assets – Exploration expenditure</b>		
<b>Exploration phase property costs</b>		
Deferred geological, geophysical, drilling and other expenditure – at cost	657,491	173,592
The capitalised exploration expenditure carried forward above has been determined as follows:		
Opening balance	173,592	23,079
Expenditure incurred during the year	636,348	150,513
Exploration abandoned	(152,449)	-
	657,491	173,592

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>14. Non-current assets – Deferred tax assets</b>		
Deferred tax asset	13,471	-
	<hr/>	<hr/>
<b>The balance comprises temporary differences attributable to:</b>		
<i>Amounts recognised in profit or loss</i>		
Accruals	1,500	-
Property, plant and equipment	85	-
Business establishment costs	203	-
<i>Amounts recognised in equity</i>		
Capital raising costs	2,726	-
<i>Amounts recognised in other assets</i>		
Capital raising costs	8,957	-
	<hr/>	<hr/>
	13,471	-
	<hr/>	<hr/>
<b>Movements:</b>		
Opening balance at 1 July	-	-
Credited (charged) to the income statement	(2,268)	-
Credited (charged) to equity (Note 19)	4,543	-
Credited (charged) to other assets (Note 8(c))	11,196	-
	<hr/>	<hr/>
	13,471	-
	<hr/>	<hr/>
<b>15. Non-current assets – Other</b>		
Security deposits	22,500	20,000
	<hr/>	<hr/>
<b>16. Current liabilities - Payables</b>		
Other payables	5,000	26,035
	<hr/>	<hr/>
<b>17. Current liabilities – Income tax payable</b>		
Income tax payable	1,854,772	-
	<hr/>	<hr/>

**SUPERIOR RESOURCES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>18. Non-current liabilities – Deferred tax liabilities</b>		
Deferred tax liabilities	1,363,225	-
	1,363,225	-
<b>The balance comprises temporary differences attributable to:</b>		
<i>Amounts recognised in profit or loss</i>		
Exploration expenditure	197,997	-
Investment	986,728	-
<i>Amounts recognised directly in equity</i>		
Asset revaluation reserve	178,500	-
Total deferred tax liabilities	1,363,225	-
<b>Movements:</b>		
Opening balance at 1 July	-	-
Charged (credited) to the income statement	1,184,725	-
Charged (credited) to equity (note 20(a))	178,500	-
Closing balance	1,363,225	-
<b>19. Contributed equity</b>		
49,856,688 (2006 : 24,928,344) ordinary shares fully paid	755,817	751,274

(a) Movements in ordinary share capital:

<i>Date</i>	<i>Details</i>	<i>Number of shares</i>	<i>Issue Price</i>	
			\$	\$
1 July 2005	Opening balance	11,350,006		170,000
19 July 2005	Private placements	750,000	0.02	15,000
22 July 2005	Private placements	1,500,000	0.02	30,000
24 August 2005	Private placements	250,000	0.02	5,000
26 August 2005	Private placements	250,000	0.02	5,000
24 May 2006	Offer Information Statement	9,400,000	0.05	470,000
24 May 2006	Private placements	228,338	0.05	11,417
24 May 2006	Private placements	200,000	0.05	10,000
23 June 2006	Private placements	1,000,000	0.05	50,000
	Capital raising costs	-		(15,143)
30 June 2006	Balance	24,928,344		751,274
16 March 2007	Share split	24,928,344		-
	Capital raising costs	-		4,543
30 June 2007	Balance	49,856,688		755,817

**SUPERIOR RESOURCES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**19. Contributed equity (continued)**

(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) Share split:

At a general meeting of shareholders held on 16 March 2007 it was resolved that each issued share of the company be split into two shares.

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>20. Reserves and retained profits</b>		
<b>(a) Reserves</b>		
Available-for-sale investments revaluation reserve	416,500	-
<i>Movements:</i>		
Balance 1 July	-	-
Revaluation – gross (note 12)	595,000	-
Deferred tax (note 18)	(178,500)	-
Balance 30 June	416,500	-

**(b) Retained profits**

Movements in retained profits were as follows:

Balance 1 July	(8,128)	(2,535)
Profit for the year	7,105,578	(5,593)
Balance 30 June	7,097,450	(8,128)

**(c) Nature and purpose of reserves**

*Available-for-sale investments revaluation reserve*

Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1(f). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**21. Key Management Personnel disclosures**

Directors

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

L J Litzow  
 K J Harvey  
 D J Horton

Principles used to determine the nature and amount of remuneration

Executive Directors:

The combination of Directors' fees, salary, non-cash benefits and superannuation make up the Executive Directors total remuneration. The salary component of Executive Directors' remuneration packages is reviewed annually to ensure the Executives pay is competitive with the market. Executive Directors' pay is not directly linked to the financial performance of the company.

Non-executive Directors:

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Director. Non-executive Directors' fees and payments are reviewed annually by the Board.

Details of remuneration

Details of the nature and amount of each major element of the emoluments of each Director of the company are:

<i>Name</i>	<i>Directors' fee \$</i>	<i>Salary \$</i>	<i>Superannuation \$</i>	<i>Other \$</i>	<i>Non-cash benefit \$</i>	<i>Total \$</i>
2007						
L J Litzow	-	-	-	11,500*	-	11,500
K J Harvey	-	-	-	90,600*	-	90,600
D J Horton	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,100</b>	<b>-</b>	<b>102,100</b>
2006						
L J Litzow	-	-	-	-	-	-
K J Harvey	-	-	-	59,741 *	-	59,741
D J Horton	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,741</b>	<b>-</b>	<b>59,741</b>

\* Payment of consulting fees to a Director related entity, on normal commercial terms and conditions

**SUPERIOR RESOURCES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**21. Key Management Personnel disclosures (continued)**

Non Director Executives

The company does not have any other executives with authority for the strategic direction and management of the company during the year.

Directors' shareholdings

The number of ordinary shares in the parent entity held during the financial year by each Director and their personally related entities is set out below:

<i>Name</i>	<i>Balance at the start of the year</i>	<i>Received on exercising options</i>	<i>Net purchased / (sold)</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>
L J Litzow	1,250,001	-		1,250,001	2,500,002
K J Harvey	2,166,668	-		2,166,668	4,333,336
D J Horton	1,260,000	-		1,260,000	2,520,000
<b>Total</b>	<b>4,676,669</b>	<b>-</b>		<b>4,676,669</b>	<b>9,353,338</b>

Directors' 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 company, including their personally related parties, are set out below.

<i>Name</i>	<i>Balance at the start of the year</i>	<i>Granted as compensation*</i>	<i>Exercised</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>
L J Litzow	-	1,000,000	-	-	1,000,000
K J Harvey	-	2,000,000	-	-	2,000,000
D J Horton	-	1,000,000	-	-	1,000,000
<b>Total</b>	<b>-</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>

\* refer to note 29 for details of the determination of fair value

All options are vested and exercisable as at 30 June 2007.

Related Party Transactions

During the financial year the company paid rent of \$12,500 (2006: \$nil) and outgoings of \$4,800 (2006: \$nil) to a director related entity. These amounts were paid on normal commercial terms and conditions.

There are no other related party transactions.

**SUPERIOR RESOURCES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>22. Remuneration of auditors</b>		
<p>During the year the following fees were paid or payable for services provided by the auditor, its related practises and non-related audit firms:</p>		
Audit or review of financial report	7,000	10,000
Taxation compliance services	800	300
Other services	1,440	-
	9,240	10,300

**23. Contingencies**

The possibility of native title claim applications at some future time, under the provisions of the Native Title Act (1993), may impact on exploration tenements under application. Any substantiated claim may have an effect on the value of the tenement application affected by the claim.

**24. 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 2007, are as follows:

	<b>2007</b>	<b>2006</b>
	\$	\$
Exploration expenditure commitments payable:		
- within one year	484,691	185,000
- later than one year but not later than five years	2,518,764	210,000
- later than five years	-	-
	3,003,455	395,000

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. Cash security bonds totalling \$22,500 are currently held by the relevant governing authorities to ensure compliance with granted tenement conditions.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**25. Events occurring after the balance sheet date**

Since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of \$3,739,252 (7.5 cents per share) which was paid on 18 July 2007 out of retained profits at 30 June 2007.

Since the end of the financial year the company has also issued 5,000,000 fully paid ordinary shares at \$0.20 each to raise \$1,000,000 cash.

Since the end of the financial year the market value of the company's investment in financial assets available-for-sale has declined to \$2,100,000.

No other 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 2007.

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>26. Reconciliation of profit / (loss) after income tax to net cash flows from operating activities</b>		
Profit / (loss) for the year	7,105,578	(5,593)
Depreciation and amortisation	2,104	-
Gain on sale of investment	(9,397,405)	-
Gain on sale of available-for-sale financial assets	(928,502)	-
Exploration abandoned	152,449	-
Tax related balances recognised directly in equity	(162,761)	-
Changes in operating assets and liabilities:		
(Increase) / decrease in receivables	(44,559)	(8,033)
(Increase) / decrease in prepayments	(22,749)	-
(Increase) / decrease in deferred tax assets	(13,471)	-
Increase / (decrease) in income tax payable	1,854,772	-
Increase / (decrease) in deferred tax liabilities	1,363,225	-
Increase / (decrease) in payables	(21,035)	-
Net cash outflow from operating activities	(112,354)	(13,626)

**27. Non-cash investing and financing activities**

During the financial year the company disposed of a wholly owned subsidiary, Superior Uranium Pty Ltd. As consideration, the company received 20,000,000 fully paid ordinary shares in a listed entity. The fair value of these shares at the date of acquisition was \$9,500,000.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**28. Earnings per share**

	<b>Cents</b>	<b>Cents</b>
<b>(a) Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the company	14.25	(0.02)
<b>(b) Diluted earnings per share</b>		
Profit attributable to the ordinary equity holders of the company	13.92	(0.02)
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		
<i>Basic earnings per share</i>		
Profit attributable to ordinary equity holders of the company used in calculating basic earnings per share	7,105,578	(5,593)
<i>Diluted earnings per share</i>		
Profit attributable to ordinary equity holders of the company used in calculating basic earnings per share	7,105,578	(5,593)
<b>(d) Weighted average number of shares used as the denominator</b>		
	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	49,856,688	29,818,632
Adjustments for calculation of diluted earnings per share:		
Options	1,201,096	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	51,057,784	29,818,632

**(e) Information concerning the classification of securities**

*Options*

Options on issue are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basis earnings per share. Details relating to the options are set out in note 29.

**SUPERIOR RESOURCES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**29. Share based payments**

During the financial year Superior Resources Limited granted 4,600,000 options to Directors and associates for no consideration. The options expire on 30 June 2011 and are exercisable at \$0.50.

Options carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

Set out below is a summary of options granted:

<i>Issue</i>	<i>Grant date</i>	<i>Expiry date</i>	<i>Exercise price</i>	<i>Balance at start of the year</i>	<i>Granted during the year</i>	<i>Exercised during the year</i>	<i>Expired during the year</i>	<i>Balance at end of the year</i>	<i>Exercisable at end of the year</i>
				<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
A	19/03/2007	30/06/2011	\$0.50	-	4,000,000	-	-	4,000,000	4,000,000
B	17/05/2007	30/06/2011	\$0.50	-	600,000	-	-	600,000	600,000

The weighted average remaining contractual life of share options outstanding at the end of the period was 4 years (2006 – not applicable).

***Fair value of options granted***

The assessed fair value at grant date of options granted was determined by Directors using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2007 included:

**Issue A & B**

- (a) options are granted for no consideration. Options vest and are exercisable immediately.
- (b) exercise price \$0.50
- (c) grant date: 19/3/2007 and 17/5/2007 respectively
- (d) expiry date: 30/06/2011
- (e) share price at grant date: \$0.20
- (f) expected volatility of the shares: 10%
- (g) risk-free interest rate: 6.5%

**Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period as part of exploration expenditure were as follows:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Options issued	-	-



## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SUPERIOR RESOURCES LIMITED**

We have audited the accompanying financial report of Superior Resources Limited (“the company”), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

### **Directors' Responsibility for the Financial Report**

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

In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF SUPERIOR RESOURCES LIMITED  
(continued)**

**Auditor's Responsibility (continued)**

expressing an opinion on the effectiveness of the 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.

**Independence**

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

**Audit opinion**

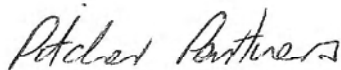
In our opinion,

- (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 company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Inherent Uncertainty regarding capitalised Exploration Expenditure**

Without qualification to the audit opinion expressed above, attention is drawn to the following matter.

Recorded in the financial report of the company as a non-current asset are amounts of \$657,491 (2006: \$173,592) for exploration expenditure. Exploration expenditure on tenements represents a significant asset of the company. The ultimate recovery of the carrying value of exploration expenditure, and future exploration expenditure, is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interests in the tenements.



PITCHER PARTNERS

Brisbane, 17 August 2007



S A Green  
Partner