SOUTH PACIFIC RESOURCES LIMITED

ABN 30 073 099 171

ANNUAL REPORT and FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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CORPORATE DIRECTORY

Directors
Domenic Martino (Managing Director & Chairman)
Joseph Goldberg (Non-Executive Director)
Alvin Tan (Non-Executive Director)

Company Secretary
Louisa Martino

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Level 5, 56 Pitt Street
Sydney NSW 2000
Telephone: +612 8823 3177
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Email: partners@pitcher-wa.com.au
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Stock Exchange Listing
The Company is listed on the Australian Securities Exchange Limited and Deutsche Borse AG
Home Exchange-Perth, Australia

ASX Code- SPB
WKN Code-924249

Australian Business Number
ABN 30 073 099 171

DIRECTORS' REPORT

The Directors submit their report on South Pacific Resources Limited (the "**Company**" or "**SPR**") and its controlled entities (the "Group") for the year ended 30 June 2019.

1. DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows:

Name	Length of Service
Domenic Martino	7 years
Joseph Goldberg	7 years
Alvin Tan	19 years

Domenic Martino - Managing Director
Mr Martino is a Chartered Accountant and an experienced director of ASX listed companies. Previously CEO of Deloitte Touch Tohmatsu in Australia, he has significant experience in the development of "micro-cap" companies.

Mr Martino is a key player in the re-birth of a broad grouping of ASX companies including Cokal Limited, Clean Global Energy Limited (renamed Citation Resources Ltd) and NuEnergy Capital Limited. He has a strong reputation in China, with a lengthy track record of operating in Papua New Guinea (PNG) and Indonesia, where he has successfully closed key energy and resources deals with key local players. He has a proven track record in capital raisings across a range of markets.

Mr Martino was a recipient of the Centenary Medal 2003 for his service to Australian society through business and the arts.

During the past three years Mr Martino held the following directorships in other ASX listed companies:
Australasian Resources Ltd (27 November 2003-Current), Cokal Ltd (24 December 2010-Current), Food Revolution Group Limited (11 February 2016 – 31 August 2016) ORH Limited (6 May 2009-Current), Pan Asia Corporation Ltd (24 December 2010 - 3 July 2017) and Skyland Petroleum Limited (18 December 2013 – Current).

Joseph (Yosse) Goldberg – Non-Executive Director
In the early 1960s Mr Goldberg joined Denis Silver and formed Silver Goldberg and Associates. The practice grew and became a leading architectural office, based in Perth and expanding its activities throughout Australia, Asia and Iran. The practice is operating today, after almost 60 years, under the name Silver, Hanley Thomas.

In mid 1970s Mr Goldberg became a property developer and designed, built, owned and operated, either on his own or in partnership, four medium-sized suburban shopping centres, apartments, a modern pig farm, 6PR radio station, managed land subdivisions and established a horse racing and breeding farm (Jane Brook Stud and Shamrock Park) providing agistment/training for 250-300 horses.

In later years he lived in the UK, Spain, USA and Canada where he helped Australian companies in establishing operations in those countries.

On his return to Australia he became a consultant and major shareholder in a number of companies and helped companies create a foothold in countries such as PNG, Indonesia, Cameroon, South Africa and Turkey. Mr Goldberg has also consulted to Sydney Gas Limited, Blue Energy Limited, Kimberley Diamond Company NL, Sundance Resources Limited, CuDeco Limited, Gindalbie Metals Ltd about resource projects such as iron ore, oil and gas bed methane and copper. Recently Mr Goldberg has been engaged in establishing a major thermal, cooking oil and gas project in Indonesia requiring major infrastructure and financing.

During the past three years Mr Goldberg held a directorship in ASX listed company Ausmex Mining GP Limited (2 August 2017 – Current)

DIRECTORS' REPORT (CONTINUED)

Alvin Tan - Non-Executive Director
Alvin Tan has over 25 years' experience in Australia and Asia, including mergers, acquisitions, capital raisings and listings on ASX, the Alternative Investments Market (AIM) of the London Stock Exchange, Bursa and German Stock Exchange. Mr Tan studied at the University of Western Australia, gaining a Bachelor of Commerce with Honours, and was then employed by KPMG in Kuala Lumpur from 1993-1995 as a financial consultant.

Returning to Australia, Mr Tan worked with the stockbroking firm of DJ Carmichael before pursuing other business interests. He is a founding director of various companies which are now listed on ASX.

Mr Tan currently serves on the board of ASX listed Advanced Share Registry Ltd and BKM Management Ltd. He also has interests in companies involved in technology, mining, exploration, property development, plantation and corporate services both in Australia and overseas.

During the past three years Mr Tan held the following directorships in other ASX listed companies:
Non- Executive Director of Advanced Share Registry Ltd (11 September 2007 - Current) and BKM Management Limited (5 February 2002 - Current).

2. COMPANY SECRETARY

Louisa Martino - Company Secretary
Ms Martino provides company secretarial and accounting services through Indian Ocean Capital Pty Ltd. Prior to this she was the Chief Financial Officer of a private company during its stage of seeking investor financing.

Ms Martino previously worked for a corporate finance company, assisting with company compliance (ASIC and ASX) and capital raisings. She also has experience working for a government organisation in its Business Development division where she performed reviews of business opportunities and prepared business case documents seeking Government funding.

Ms Martino previously worked for a major accounting firm in Perth, London and Sydney where she provided corporate advisory services, predominantly on IPOs and mergers and acquisitions and also performed due diligence reviews. She has a Bachelor of Commerce from the University of Western Australia, is a member of the Financial Services Institute of Australasia (FINSIA).

3. DIRECTORS' SHAREHOLDINGS

The following table sets out each current Director's relevant interest in shares of the Company or a related body corporate as at the date of this report.

	Fully Paid Ordinary Shares	Options over unissued share
Mr Martino	72,551,051	-
Mr Goldberg	23,927,578	-
Mr Tan	15,915,984	-

4. DIVIDENDS

No dividend has been paid during the financial year and no dividend is recommended for the current year.

DIRECTORS' REPORT (CONTINUED)

5. DIRECTORS' MEETINGS

The number of Directors' meetings either attended in person or by telephone during the financial year and the number of meetings attended by each Director during the financial year are:

	No. Eligible to Attend	No. Attended
Mr Martino	2	2
Mr Goldberg	2	2
Mr Tan	2	2

6. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year was oil and gas exploration.

7. REVIEW OF OPERATIONS

The operating loss after income tax of the Group for the year ended 30 June 2019 $797,866 (30 June 2018: loss $1,205,666).

During the year the Company continued to focus on its significant conventional and unconventional portfolio that it holds in Papua New Guinea (PNG). In addition, the Company reviewed a number of business development opportunities across the region to augment its exploration and development activities.

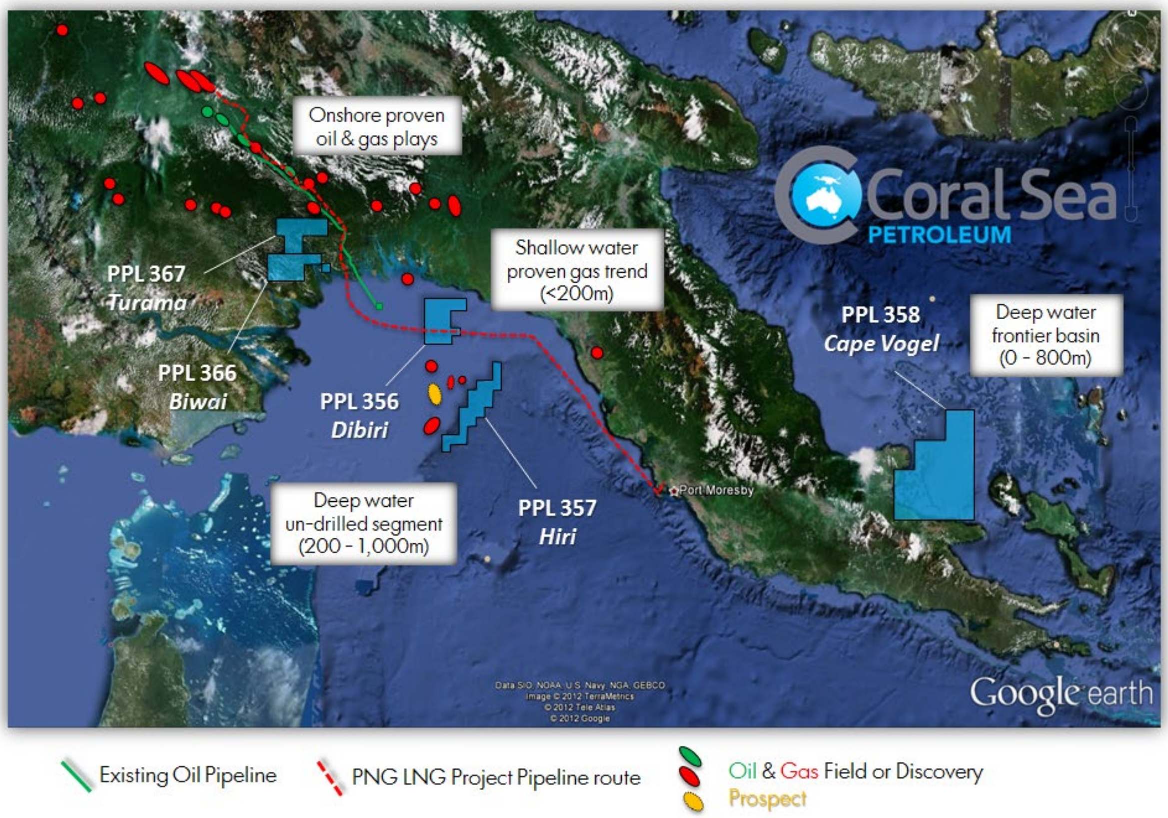
Conventional Licences

The Group is the 100% holder of five petroleum prospecting licences in Papua New Guinea. PPL 366 & 367 are located onshore and PPL 356 & 357 offshore in the highly prospective Papuan Basin close to discovered oil and gas fields. PPL 358 is in the frontier Cape Vogel Basin where oil and gas indications have been reported (refer Figure 1, below).

Tamarind and the Group continue to review the prospectivity of these blocks and are progressing discussions with the PNG Department of Petroleum and Energy to extend license tenure.

DIRECTORS' REPORT (CONTINUED)

Figure 1 Location of the five PPLs (on Google Earth image)



Unconventional Licences

In February 2016, The Government of PNG enacted new legislation, The PNG Unconventional Hydrocarbons Act, specifically designed to recognise the requirements of the unconventional sector. The legislation envisaged that the licensing, development and ultimate production from unconventional resources requires different investment timeframes and intensity, different logistics and a different approach to community relations when compared to conventional oil and gas resource developments. The Group continues to support the efforts of the government as the regulations in support of the legislation are finalised.

The Group has applied for a 75% interest in five unconventional licences covering 75,000 km sq coincidental with all of the major conventional oil basins in PNG. Upon completion of the regulations and final license gazettal, the Group will be able to progress the further appraisal on these licences. Commercial and technical discussions with potential industry partners and oilfield service providers is ongoing.

Petroleum Prospecting Licenses

Conventional licences held at the end of the year are as follows:

Petroleum Prospecting License	Location	The Group's equity
PPL 356	Offshore Papuan Basin, PNG	100%
PPL 357	Offshore Papuan Basin, PNG	100%
PPL 358	Offshore Cape Vogel Basin, PNG	100%
PPL 366	Onshore Papuan Basin, PNG	100%
PPL 367	Onshore Papuan Basin, PNG	100%

8. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no other significant changes in the Group's state of affairs during the year ended 30 June 2019.

9. MATERIAL AND AFTER BALANCE SHEET DATE EVENTS

The following significant events occurred after balance date and are likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

On 7 August 2019 the Company announced that it had signed a sale and purchase agreement to acquire Takmur Pte. Ltd. (**Takmur**), a Singapore based company that has exclusive rights to the operation and management of a mineral sands tenement and production facility, which includes a premium quality mineral sands deposit in Indonesia (the **Transaction**). Takmur's objective is to build shareholder value by adding premium quality mineral sands deposits to its portfolio both in Indonesia and globally. SPR will seek to raise capital through the issue of Shares under a prospectus. The proceeds of the Capital Raising will be used to further develop the mineral sands tenement and production facilities and look to acquire upside in other projects within the mineral sands industry.

Takmur is currently focused on the fully licensed mineral sands mine which is in production, having achieved an export volume in excess of 3,000 tons of zircon in calendar year 2018, and with significant upside potential in terms of prospective resources and the ability to increase production capacity. Ultimately, Takmur aims to become a significant mineral sands player and supply world markets with premium quality zircon, securing an important role in this rapidly growing industry.

The key terms of the Transaction, which will be subject to shareholder approval, are:

1. SPR will conduct a 20 to 1 consolidation of its existing issued capital. This will reduce the issued capital of SPR to approximately 18,284,711 fully paid ordinary shares, assuming all Resolutions are passed at the Company's General Meeting to be held on 20 August 2019 (**Shares**);
2. SPR will acquire Takmur via the issue of 210,274,171 (79.8%) Shares (post-consolidation) at an issue price of AUD0.40 per Share to the shareholders of Takmur (**Vendors**);
3. SPR will seek to raise AUD14 million through the issue of 35,000,000 Shares at a price of AUD0.40 per Share under a prospectus (**Capital Raising Shares**) and seek re-admission to the Official List of the ASX under Chapters 1 and 2 of the Listing Rules.

On completion of the Transaction SPB will change its name to "Pyx Resources Limited". Additionally, the current Board of SPR will resign and be replaced by 3 new Board members, with the exception of Alvin Tan who will stay on as a Director following the Transaction.

In respect of the Company's Papua New Guinea assets, given the low oil price and lack of commercial prospectively, the Company has entered into an agreement with Ana and Bella Pty Ltd to sell these assets, subject to shareholder approval and the Transaction completing, for a norminal amount.

On 28 August 2019 the Company approved the issue of 200,178,900 Shares in payment of $3,002,683 of trade creditors and convertible notes.

10. ENVIRONMENTAL ISSUES

The Group is not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board is not aware of any breach of environmental requirements as they apply to the Group.

11. LIKELY DEVELOPMENT AND RESULTS

The Directors believe that likely developments in the preparations of the Group and expected return from the operations have been adequately disclosed in this report.

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT (Audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001. There were no company executives and other key management personnel who were not also Directors of the Company for the financial year.

The remuneration report is set out under the following main headings:

A Remuneration Philosophy

B Remuneration Structure

C Remuneration Approvals

D Remuneration and Performance

E Details of Directors' Remuneration

F Compensation Options Granted, Exercised or Lapsed During the Financial Year

G Share-based Compensation

H Equity Instruments Issued on Exercise of Remuneration Options

I Other Transactions with KMP and/or their Related Parties

J Shareholding of KMP

The remuneration arrangements detailed in this report are for the Managing Director / Chairman and Non-Executive Directors during the financial year as follows:

Domenic Martino	Managing Director and Chairman
Alvin Tan	Independent Non-Executive Director
Joseph Goldberg	Non-Executive Director

The previous remuneration report was considered at the Company's last Annual General Meeting held on 29 November 2018, with 96.60% of shareholders voting to adopt the report. There were no comments on the previous remuneration report that were discussed at the 2018 Annual General Meeting and shareholders approved the remuneration report.

A Remuneration Philosophy

Key management personnel ("KMP") have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Company. The performance of the Group depends upon the quality of its key management personnel. To prosper the Group must attract, motivate and retain appropriately skilled directors and executives.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Group does not have an employee share option scheme and no remuneration options or shares have been issued to Directors.

A remuneration consultant has not been employed by the Group to provide recommendations in respect of the remuneration, given the size of the Group and its current structure.

DIRECTORS' REPORT (CONTINUED)

B Remuneration Structure

There are no formal agreements with Directors. Directors are paid on a month to month basis. All Directors are paid via their director-related entity, with the exception of Mr Martino who is paid directly and whose remuneration includes superannuation.

Executive Director

Mr Martino's employment with the Company is on a month to month basis at $120,000 plus superannuation for the financial year (2018: $120,000).

Non-Executive Directors

Mr Goldberg, Non-Executive Director, accrues to his related entity on a month to month basis at $36,000 for the financial year (2018: $36,000).

Mr Tan, Non-Executive Director, accrues to his related entity on a month to month basis at $36,000 for the financial year (2018: $36,000).

No other agreements with key management personnel or their controlled entities during the financial year have been entered into.

The Group currently does not offer any variable remuneration incentive plans or bonus schemes to Executive Directors or any retirement benefits and, as such, there are no performance related links to the existing remuneration policies.

The following table shows the gross revenue, profit/(losses), share prices and dividends of the Company at the end of the respective financial years.

	30 June 2015 Consolidated	30 June 2016 Consolidated	30 June 2017 Consolidated	30 June 2018 Consolidated	30 June 2019 Consolidated
Revenue ($)	13,965	-	2	-	-
Net loss ($)	(1,566,672)	(1,145,321)	(1,152,093)	(1,205,666)	(799,632)
Share price (cents)	5.6	3.0	1.5	0.4	0.2
Dividend ($)	Nil	Nil	Nil	Nil	Nil
Return of capital	Nil	Nil	Nil	Nil	Nil

C Remuneration Approvals

Remuneration of Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors.

Non-Executive Directors receive fees which are determined by the Board within the aggregate limit set by the shareholders at a General Meeting. The current limit is $500,000 per annum as resolved at the 2012 Annual General Meeting.

D Remuneration and Performance

Director remuneration is currently not linked to either long term or short term performance conditions. The Board feels that the shares currently on issue to the Directors are a sufficient, long term incentive to align the goals of the Directors with those of the shareholders to maximise shareholder wealth, and as such, has not set any performance conditions for the Directors of the Company. The Board will continue to monitor this policy to ensure that it is appropriate for the Group in future years.

DIRECTORS' REPORT (CONTINUED)

E Details of Directors' Remuneration

	Short-Term				**Post employment**			**Long-term**	**Share-based payments**	**TOTAL**	**Total perform-ance related**
2019	Salary fees *	Cash bonus	Non-monetary	Other	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
	$	$	$	$	$	$	$	$	$	$	%
Directors											
Mr Martino	120,000	-	-	-	11,400	-	-	-	-	131,400	-
Mr Goldberg	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Tan	36,000	-	-	-	-	-	-	-	-	36,000	-
Sub-total	192,000	-	-	-	11,400	-	-	-	-	203,400	-
Other key management personal											
None	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total	192,000	-	-	-	11,400	-	-	-	-	203,400	-

* All directors' fees were paid to the Directors' related entities, with the exception of Mr Martino.

	Short-Term				**Post employment**			**Long-term**	**Share-based payments**	**TOTAL**	**Total perform-ance related**
2018	Salary fees *	Cash bonus	Non-monetary	Other	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
	$	$	$	$	$	$	$	$	$	$	%
Directors											
Mr Martino	120,000	-	-	-	11,400	-	-	-	-	131,400	-
Mr Goldberg	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Tan	36,000	-	-	-	-	-	-	-	-	36,000	-
Sub-total	192,000	-	-	-	11,400	-	-	-	-	203,400	-
Other key management personal											
None	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total	192,000	-	-	-	11,400	-	-	-	-	203,400	-

* All directors' fees were paid to the Directors' related entities, with the exception of Mr Martino.

DIRECTORS' REPORT (CONTINUED)

F. Compensation Options Granted, Exercised or Lapsed During the Financial Year

There were no options issued to Directors as part of their remuneration in the past 12 months. There were no compensation options that were exercised or lapsed during the year. There were no compensation options issued or outstanding during 2018 or 2019.

G Share-based Compensation

The Company may reward Directors for their performance and align their remuneration with the creation of shareholder wealth by issuing share options and or shares. Share-based compensation is at the discretion of the Board and no individual has a contractual right to participate in any share-based plan or to receive any guaranteed benefits. No share based compensation occurred during the years 2018 and 2019.

(i) Options

There were no options granted to Directors during the financial year, nor were shares issued upon exercise of options. As at the date of this report no options have been exercised.

(ii) Shares

There were no shares issued to Directors during the 2019 financial year.

(iii) Link to Performance

The Company does not offer any variable remuneration incentive plans or bonus schemes to Executive Directors or any retirement benefits and, as such, there are no performance related links to the existing remuneration policies.

H Equity Instruments Issued on Exercise of Remuneration Options

No shares were issued during the financial year to Directors or key management as a result of exercising remuneration options.

There are currently no contractual arrangements with directors, they are engaged on a month to month basis.

DIRECTORS' REPORT (CONTINUED)

I Other Transactions with KMP and/or their Related Parties

i) Transaction Services Pty Ltd, a related party of Mr. Martino, provided office rental and office supplies. Transaction Services Pty Ltd has been paid nil (2018: $57,200) inclusive of GST, expenses recognised during the year totalling $156,544 (2018: $150,524) inclusive of GST. A total of $326,596 (2018: $170,044) inclusive of GST, remains due and payable at year end.

ii) Indian Ocean Corporate Pty Ltd is a related party of Mr Martino, providing company secretarial, accounting and administration services to the Company. During the 30 June 2019 year, Indian Ocean Corporate Pty Ltd has been paid nil (2018: $110,000), inclusive of GST, expenses recognised during the year totalling A$132,000 (2018: $132,000) inclusive of GST. A total of $253,000 (2018: $121,000), inclusive of GST, remains due and payable at year end.

iii) Fanucci Pty Ltd, a related party of Mr. Martino, provided a loan to the Company. As at 30 June 2019, the balance is $52,938, no amounts have been repaid during the year with the full amount outstanding as at 30 June 2019. The loan is interest free and repayable on demand. No security has been provided in respect of the loan.

J Shareholding of KMP

The number of shares in the Company held by directors or other key management personnel of the Company, including their associated entities at the end of the financial year as follows:

Company Directors and Associated Entities		**Opening Balance No.**	**Received During Year on Exercise of Options No.**	**Net Change Other No.**	**Closing Balance No.**
Mr Martino	**2019**	**14,578,000**	**-**	-	**14,578,000**
	2018	14,578,000	-	-	14,578,000
Mr Goldberg	**2019**	**14,504,545**	**-**	-	**14,504,545**
	2018	14,504,545	-	-	14,504,545
Mr Tan	**2019**	**1,115,984**	**-**	-	**1,115,984**
	2018	1,115,984	-	-	1,115,984

END OF REMUNERATION REPORT

DIRECTORS' REPORT (CONTINUED)

13. UNISSUED SHARES AND OPTIONS

During the June 2019 financial year the company issued no options.

During the 2018 financial year, the Company issued 10,750,000 options to Tamarind Classic Resources Private Limited as part of the Convertible Note transaction. These options have an exercise price of $0.05 and expiry of 22 February 2023.

Option holders do not have any rights to participate in any issues of shares or other interests of the Company or any other entity.

During the 2018 financial year, the Company issued 750,000 10% convertible notes for $750,000 on 25 October 2017. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable at the expire date. This represents a right held by Tamarind over unissued shares.

OPTIONS REMAIN ON ISSUE AT 30 JUNE 2019

As at 30 June 2019 the following unlisted options were on issue:

Expiry Date	Exercise Price	Number or Options
22 Feb 2023	5 cents	10,750,000
24 Nov 2019	15 cents	5,000,000
		15,750,000

14. 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 its controlled entities, or to intervene in any proceedings to which the Company or its controlled entities are a party, for the purposes of taking responsibility on behalf of the Company or its controlled entities for all or part of those proceedings.

15. INDEMNIFYING OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring all its Directors and current and former executive officers against a liability incurred as such a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Group against a liability incurred as such an officer or auditor.

16. NON-AUDIT SERVICES

The Board of Directors, at the date of this report, is satisfied that the provision of non-audit services during the 30 June 2019 financial year was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services does not compromise the general principles relating to auditors independence as set out in APES 110 Code of Ethics for Professional Accountants.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below:

Audit services	
Pitcher Partners BA & A Pty Ltd	$ 29,171

DIRECTORS' REPORT (CONTINUED)

17. NON-AUDIT SERVICES(CONTINUED)

Non-audit services – Taxation

Pitcher Partners Accountants & Advisors WA Pty Ltd	$ 7,396

18. ROUNDING OF AMOUNTS

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

19. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 63.

Signed in accordance with a resolution of the Board of Directors.

Domenic Martino
Director

Date: 27 September 2019

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of South Pacific Resources Limited (the "Company" or "SPR") is responsible for the corporate governance of the Company, having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition). The Board guides and monitors the business and affairs of SPR on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Council's principles are summarised as follows:

Principle 1 Lay solid foundations for management and oversight
Principle 2 Structure the board to add value
Principle 3 Act ethically and responsibly
Principle 4 Safeguard integrity in corporate reporting
Principle 5 Make timely and balanced disclosure
Principle 6 Respect the rights of security holders
Principle 7 Recognise and manage risk
Principle 8 Remunerate fairly and responsibly

This statement outlines the main corporate governance practices in place during the year ended 30 June 2019, which comply with the ASX Corporate Governance Council recommendations, except where noted.

This Corporate Governance Statement is current as at 27 September 2019 and has been adopted by the Board.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise a minimum of three directors, with a majority of non-executive directors;
- the Chairman should be a non-executive director;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise. The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee.

BOARD SKILLS MATRIX

The Board uses a skills matrix to guide its assessment of the skills and experience of current Directors, and those skills that the Board considers will complement the effective functioning of the Board. Current Directors possess a range of professional skills summarised in the following table:

Industry specific knowledge and expertise	Specific experience, knowledge and expertise gained across the mining and exploration industry
Country specific knowledge and expertise	Specific experience, knowledge and expertise gained from regions and countries related to the Company's strategy and activities (in particular Asia Pacific) and specific knowledge of Papua New Guinea
Financial acumen	Financial knowledge and experience, including an understanding of the financial statements of organisations the type and size of the Company
Strategic and commercial acumen	An ability to define strategic objectives and implement strategy using analytical and technical expertise
Risk management	An understanding of risk management, including operational, financial reporting and compliance risks
Governance and compliance	Commitment to, and knowledge of, governance (incorporating experience gained from working in publicly listed companies) and sustainability issues

CORPORATE GOVERNANCE STATEMENT (continued)

REMUNERATION COMMITTEE

Given the current size of the Company and size and composition of the Board, the Board believes that no efficiencies or other benefits would be gained by establishing a separate remuneration committee. All decisions regarding remuneration of Directors, executives and key employees are made by the full Board. As the Board has not established a separate remuneration committee, it does not have a remuneration committee charter. The Company has a standing agenda item at each Board meeting to deal with any remuneration related matters that would normally be carried out by a remuneration committee.

The Board will periodically review the Company's circumstances and a remuneration committee will be discussed and formed if deemed necessary by the Directors, should the Company experience a change in structure and Board membership. The Company recognises that formal and transparent remuneration and nomination policies assist in promoting understanding and confidence in remuneration and nomination decisions.

The Company has established a remuneration policy that states:

- non-executive Directors are to receive fees which are determined by the Board within the aggregate limit set by the shareholders at a general meeting; and
- executive Directors' remuneration is determined by the Board with reference to current market rates and remuneration paid to executives in comparable listed companies determined by the size and nature of operations.

Remuneration levels are set by the Board in accordance with industry standards to attract suitable qualified and experienced directors and senior management.

AUDIT COMMITTEE

The Board is of the view that given the current size of the Company and the size and composition of the board, that there would be no efficiencies or other benefits gained by having a separate audit committee. However, the issues relevant to the integrity of the Company's financial reporting typically dealt with by such a committee are dealt with by the full Board. The Company has as a standing agenda item at each Board meeting to deal with any audit related matters that would normally be carried out by an audit committee.

The Company will assess the need to form an audit committee on a regular basis.

As the Board has not established an audit committee, it does not have a formal audit committee charter.

The Company has appointed external auditors who have clearly demonstrated quality and independence. The performance of the external auditors is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

BOARD AND SENIOR EXECUTIVE RESPONSIBILITIES

As the Board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The Company has a board charter that discloses the specific responsibilities of the Board, and those delegated to senior executives. The responsibility for the operation and administration of the Company is delegated by the Board to the Managing Director. The Board ensures that the Managing Director is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the Company's officers, contractors and consultants. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chairman. If there is no Chairman in place, the matter is to be reported to the independent directors.

CORPORATE GOVERNANCE STATEMENT (continued)

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. Procedures are in place to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

MONITORING OF BOARD AND SENIOR EXECUTIVE PERFORMANCE

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of the Board and all individual directors is to be reviewed annually by the Chairman or independent directors. Directors whose performance is unsatisfactory are asked to retire.

CODE OF CONDUCT

A formal code of conduct for the Company applies to all directors and employees. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The directors, managers and employees are expected to act with the utmost integrity and objectivity, observe the highest standards of behaviour and business ethics and strive at all times to enhance the good reputation and performance of the Group by acting in the best interests of the Group, being responsible and accountable for their actions and observing the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

The Group has developed an extensive code of conduct which is encapsulated in the corporate governance policies and the Company's terms and conditions of employment. Conduct guidelines apply to all employees which address the values and vision of the Company, business ethics and protocol, policies and procedures, employee entitlements, responsibilities and expectations of both the Group and employees and compliance with relevant legal, shareholder and stakeholder obligations.

All employees have position descriptions that reinforce their duties, rights and responsibilities and all are required to participate in performance reviews to ensure the Group expectation is aligned with employee goals and key performance indicators. Actual performance is reviewed annually and, if necessary, more frequently. The Company encourages regular feedback, review and continuous improvement so as to maintain and enhance the desired corporate culture and standard of ethical behaviour.

SHAREHOLDER COMMUNICATION POLICY

The Board encourages shareholder communication and ensures that shareholders are kept up to date with the Company's activities.

The Company has established procedures to provide shareholders with important information in a timely manner via electronic communication. All information, including financial information, disclosed to the ASX is posted to the Company's website as soon as practicable after release to the market. A copy of the Company's annual report is issued to shareholders who have requested one and is posted on the Company's website as soon as practicable after disclosure to the ASX has been made and confirmation of receipt has been received.

CORPORATE GOVERNANCE STATEMENT (continued)

BEST PRACTICE RECOMMENDATION

Outlined below are the 8 Principles of Good Corporate Governance and Best Practice Recommendations as outlined by the ASX Corporate Governance Council (3rd edition).

Best Practice Recommendation	Action Taken
Principle 1: Lay solid foundation for management and oversight	
1.1 A listed entity should disclose: (a) The respective roles and responsibilities of its board and management; and (b) Those matters expressly reserved to the board and those delegated to management	The Company's corporate governance policies include a board charter that discloses the specific responsibilities of the Board, and those delegated to senior executives. The responsibility for the operations and administration of the Company is delegated by the Board to the Managing Director. Refer page 15, Board and Senior Executive Responsibilities.
1.2 A listed entity should: (a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Board identifies potential candidates and may take advice from an external consultant. Potential new directors are subject to appropriate and prudent background and screening checks prior to appointment. Board candidates must stand for election at the next general meeting of shareholders following such appointment, where information is set out to shareholders including; biographical details, other material directorships, any material adverse information revealed by checks and details of interest, position, association or relationship that might have influence.
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their employment.	The Company does not adhere to letters of appointment for directors. Their service is on a month to month basis. The performance of all senior executives is reviewed annually by the Chairman or independent directors which includes measuring actual performance against planned performance. There were no senior executives employed by the Company during the year.
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair; on all matters to do with the proper functioning of the board.	The Company Secretary reports directly to the Board and supports the Board by advising on governance matters, monitoring implementation of policy and procedures, co-ordinating and timely despatch of Board papers and ensuring minutes accurately capture the business conducted at Board meetings.
1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	The Company continues to strive towards achieving objectives established towards increasing diversity. It does not propose to establish measurable gender diversity objectives in the future as: • The Group's Directors and senior executives is a small, stable team of experienced personal. There is no intention to make changes in the near future; and • The Group is committed to making all selection decisions on the basis of merit. Setting specific objectives for such a small team would potentially influence decision making to the detriment of the Group. At the end of the reporting period, the Board of Directors consisted of three men and the Company Secretary is female.
1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	Evaluations of the Board, committees and executives (if any) occurred during the year. The Company has not disclosed the basis of such evaluation processes. The Board takes ultimate responsibility for these matters and does not consider disclosure of performance evaluation necessary at this stage.

Best Practice Recommendation	Action Taken
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	
1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Managing Director is responsible for annual evaluations of senior executives (if any). There are no senior executives (who are not directors) and therefore no evaluations of senior executives took place during the year, nor has the Company disclosed the basis of such evaluation processes adopted by the Company. The Board takes ultimate responsibility for these matters and does not consider disclosure of performance evaluation necessary at this stage.
Principle 2: Structure the Board to add value 2.1 The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; **OR** (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Company is not of a size that justifies having a separate nomination committee. However, matters typically dealt with by such a committee are dealt with by the full Board. As part of its usual role, the full Board oversees the appointment and induction process for directors, and the selection, appointment, evaluation and succession planning process of the Company's directors and senior executives. When a vacancy exists or there is a need for a particular skill, the Board determines the selection criteria that will be applied. The Board then identifies suitable candidates, with assistance from an external consultant if required, and will interview and assess the selected candidates.
2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Refer "Board Skills Matrix" on page 14.
2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors;	One (Mr Tan) of the three Board members is considered independent.
(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	Not applicable
(c) the length of service of each director.	The length of service of each director is set out in the Directors' Report, specifically on page 2 of the Annual Report.
2.4 A majority of the board of a listed entity should be independent directors.	The majority of the board is not independent. To assist the Directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chairman or independent directors for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Best Practice Recommendation	Action Taken
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Managing Director and Chairman is Mr Domenic Martino who is not independent.
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Group has an informal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit the Group's areas of interest and meet with management to gain a better understanding of business operations. Directors are encouraged to undertake continuing professional education and, if this involves industry seminars and approved education courses, where appropriate, this is paid for by the Company.
Principle 3: Act Ethically and Responsibly	
3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics in conducting its business activities and intends to maintain a reputation of integrity. The Company has subscribed to a general Code of Conduct. The Code of Conduct lists the standards of ethical behaviour that are expected to be met by the Directors and employees of the Company. Such persons are also expected to meet the ethical standards of any professional bodies they belong to. Any breaches of the Code of Conduct are to be reported to the Chairman for notification to the Board. The Board will decide on appropriate disciplinary action and may report breaches to the appropriate authorities. All Directors, managers and employees are required to act honestly, in good faith and in the best interests of the Company while exercising due care and diligence, recognising and respecting their responsibility to shareholders and other stakeholders of the Company. All Directors, managers and employees of the Company are required to act in an ethical manner at all times, avoiding conflicts of interest and observing the principals of independence in decision-making.

Best Practice Recommendation	Action Taken
Principle 4: Safeguard integrity in corporate reporting	
4.1 The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; **OR** (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner	The Board is of the view that given the current size of the Company and the size and composition of the Board, that there would be no efficiencies or other benefits gained by having a separate audit committee. However, the issues relevant to the integrity of the Company's financial reporting typically dealt with by such a committee are dealt with by the full Board. The Company has as a standing agenda item at each Board meeting to deal with any audit related matters that would normally be carried out by an audit committee.
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The Managing Director and Chief Financial Officer ('CFO') (or equivalent) provide a certification to the Board on the integrity of the Company's external financial reports for the half-year and full year. The Managing Director and CFO (or equivalent) also provide assurance to the Board that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks. In addition reporting of the management of the Company's material business risks, forms part of routine management reporting to the Board. The Company receives assurances from the Managing Director and CFO (or equivalent) in respect of the financial statements. The performance of the external auditor is reviewed annually. It is both the Company's and the auditor's policy to rotate audit engagement partners at least every five years.
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The external auditor provides an annual declaration of their independence to the Board. The external auditor is requested to attend annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.
Principle 5: Make timely and balanced disclosure	
5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	SPR has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings. The Managing Director and the Company Secretary have been nominated as the Company's primary disclosure officers. SPR is committed to providing shareholders and stakeholders with extensive, transparent, accessible and timely communications on the Company's activities, strategy and performance.

Best Practice Recommendation	Action Taken
Principle 6: Respect the rights of security holders	
6.1 A listed entity should provide information about itself and its governance to investors via its website.	The Company maintains a website that contains its corporate governance policies (www.southpacificresourceslimited.com).
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company does not currently have an investor relations program, however shareholders are able to contact the company secretary or board directly should they have any queries / comments.
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals.
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company does not currently have the facilities to send and receive correspondence electronically with shareholders. The directors will review this option, in light of the cost associated with maintaining the electronic system for communication
Principle 7: Recognise and manage risk	
7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; **<u>OR</u>** (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Group is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of a separate risk management committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Group's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk. The Group has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management Policy), which is developed and updated to help manage these risks. The Risk Management Policy is located on the Company's website. The Company's risk management policy is designed to provide the framework to identify, assess, monitor and manage the risks associated with the Company's business.
7.2 The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Main areas of risk include fluctuating commodity prices and exchange rate fluctuation, political and economic climate, exploration and development and continuous disclosure obligations. Regular consideration is given to these matters by the Board. The Company has in place an internal control framework to assist in identifying, assessing, monitoring and managing risk. This framework includes quarterly financial reporting, maintenance of and adherence to the Company's continuous disclosure policy and regular informal operations reports provided by the Managing Director for the Board. The Company's internal control system is monitored by the Board and assessed regularly to ensure effectiveness and relevance to the Company's current and future operations.
7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; **<u>OR</u>** (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company has a small management team who interact with directors on a regular basis and ensures constant communication of material business risks. The Group does not have a formally established internal audit function. The Board ensures compliance with the internal controls and risk management procedures previously mentioned.

Best Practice Recommendation	Action Taken
7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	The Group undertakes minerals exploration and mining development in PNG and, as such, faces risks inherent to its business, including economic, environmental and social sustainability risks, which may materially impact the Group's ability to create or preserve value for security holders over the short, medium or long term. The Group views sustainable and responsible business practices as an important long term driver of performance and shareholder value and is committed to transparency, fair dealing, responsible treatment of employees and partners and positive interaction with the community.
Principle 8: Remunerate fairly and responsibly	
8.1 The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; **OR** (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Board has not established a formal remuneration committee. The full Board attends to the matters normally attended to by a remuneration committee. Remuneration levels are set by the Company in accordance with industry standards to attract suitable qualified and experienced directors and senior executives.
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	For full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report. Non-executive Directors receive fees which are determined by the Board within the aggregate limit set by the shareholders at a general meeting. Executive Directors' remuneration is determined by the Board with reference to current market rates and remuneration paid to executives in comparable listed companies determined by the size and nature of operations. Remuneration for all Directors and key management personnel has been disclosed in the Directors' Report.
8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	There is no formal equity-based remuneration scheme, however shares and options can be issued as part remuneration. Securities can only be issued to Company Directors under a resolution at a general meeting of shareholders. The Directors and senior executives who participate in equity-based remuneration are prohibited from entering into transactions or arrangements that limit the economic risk of participating in unvested entitlements or entitlements subject to a holding lock.

SOUTH PACIFIC RESOURCES LIMITED

ABN 30 073 099 171

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

FNANCIAL STATEMENTS CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019	2018
		$	$
Other income			
Gain on modification of convertible note		10,464	67,744
Gain on extinguishment of financial liabilities	4(b)	203,825	-
Net foreign exchange gain / (losses)		-	7,919
Total Other income		214,289	75,663
Consultancy and other professional fees		(435,132)	(416,018)
Computer and office expenses		(143,041)	(137,368)
Impairment of exploration and evaluation expenditure	7	(7,381)	(49,245)
Interest expense		(187,849)	-
Loss on extinguishment of convertible note	10	(4,226)	-
Convertible Interest		(166,723)	(271,649)
Scoping study expense		-	(348,252)
Travel and entertainment expenses		(2,333)	(1,717)
Other expenses		(65,470)	(57,080)
Total Expenditure	2	(1,012,155)	(1,281,329)
Loss from ordinary activities before income tax expenses		(797,866)	(1,205,666)
Income tax expenses relating to ordinary activities	3	-	-
Loss for the year		(797,866)	(1,205,666)
Other Comprehensive Income			
Other comprehensive income, net of income tax:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations	12	(11,773)	(6,494)
Total other comprehensive income		(11,773)	(6,494)
Total comprehensive loss for the year attributable to the owners of the parent		(809,639)	(1,212,160)
Earnings per share			
Basic and diluted loss per share (cents)	13	(0.48)	(0.73)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 29 to 62.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2019	2018 (Restated*)
		$	$
Current Assets			
Cash and cash equivalents	4	4,646	3,576
Trade and other receivables	5	14,348	24,193
Total Current Assets		18,994	27,769
Non-Current Assets			
Rental Bond	6	50,000	50,000
Exploration expenditure	7	-	-
Plant & equipment	8	648	1,945
Total Non-Current Assets		50,648	51,945
Total Assets		69,642	79,714
Current Liabilities			
Trade and other payables	9	2,347,706	1,761,562
Borrowings	10	913,464	700,041
Total Current Liabilities		3,261,170	2,461,603
Total Liabilities		3,261,170	2,461,603
Net Liabilities		(3,191,528)	(2,381,889)
Equity			
Issued capital	11	6,830,356	6,830,356
Reserves	12	592,497	604,270
Accumulated losses		(10,614,381)	(9,816,515)
Total Equity		(3,191,528)	(2,381,889)

*Certain amounts shown here do not correspond to the 30 June 2018 financial statements and reflect adjustments disclosed in Note 6.

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 29 to 62.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Ordinary Shares	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Attributable to Members
	$	$	$	$	$
Balance at 1 July 2018	**6,830,356**	**504,260**	**100,010**	**(9,816,515)**	**(2,381,889)**
Loss for the year	-	-	-	(797,866)	(797,866)
Foreign exchange movement	-	-	(11,773)	-	(11,773)
Total comprehensive loss for the year			(11,773)	(797,866)	(809,639)
Transactions with owners in their capacity as owners:	-	-	-	-	-
Balance at 30 June 2019	**6,830,356**	**504,260**	**88,237**	**(10,614,381)**	**(3,191,528)**
Balance at 1 July 2017	**6,772,845**	**242,247**	**106,504**	**(8,610,849)**	**(1,489,253)**
Loss for the year	-	-	-	(1,205,666)	(1,205,666)
Foreign exchange movement	-	-	(6,494)	-	(6,494)
Total comprehensive loss for the year	-	-	(6,494)	(1,205,666)	(1,212,160)
Transactions with owners in their capacity as owners:					
Issue of 1,000,000 at $0.03 per share in payment of an invoice	30,000	-	-	-	30,000
Issue of convertible notes (Note 10)	27,511	-	-	-	27,511
Issue of 10,750,000 unlisted options (Note 14)	-	229,436	-	-	229,436
Expensing unlisted options (Note 14)		32,577	-	-	32,577
Balance at 30 June 2018	**6,830,356**	**504,260**	**100,010**	**(9,816,515)**	**(2,381,889)**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 29 to 62.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019	2018
		$	$
Cash Flows From Operating Activities			
Cash paid to suppliers and employees		(51,867)	(260,966)
Cash paid for Exploration and Evaluation		-	(348,252)
Interest received		-	10
Net cash used in operating activities	4(b)	(51,867)	(609,208)
Cash Flows From Investing Activities			
Payments for Exploration and Evaluation		-	(80,855)
Net cash used in investing activities		-	(80,855)
Cash Flows From Financing Activities			
Proceeds / (Repayment) of borrowings		52,937	(37,538)
Proceeds from issue of convertible notes		-	750,000
Convertible notes facility fee		-	(65,164)
Net cash from financing activities		52,937	647,298
Net increase/(decrease) in cash and cash equivalents		1,070	(42,765)
Cash and cash equivalents at beginning of the year		3,576	46,341
Cash and cash equivalents at end of year	4(a)	4,646	3,576

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 29 to 62.

Notes to the Financial Statements

For the year ended 30 June 2019

PREFACE TO THE NOTES

The notes include information which is required to understand the financial statements and is material and relevant to the operations and financial position and performance of the Company. Information is considered relevant and material if:

- The amount is significant due to its nature or size;
- The amount is important in understanding the results of the Company;
- It helps to explain the impact of significant changes in the Company's business; or
- It relates to an aspect of the Company's operations that is important to its future performance.

The notes are organised in the following sections:

- Basis of preparation;
- Key numbers;
- Capital;
- Risk management;
- Group structure and management;
- Unrecognised items; and
- Other notes

1. Basis of Preparation

a) Reporting Entity

South Pacific Resources Limited (the "Company" or "SPR") is a company limited by shares, incorporated in Australia and listed on the Australian Securities Exchange. The financial statements for the consolidated entity consist of SPR and its subsidiaries (the "Group")

The nature of the operations and principal activities of the Group are described in the Directors' Report.

b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

For the purpose of preparing the financial statements, the Group is a for-profit entity.

The financial statements were approved by the Board of Directors on 27 September 2019.

c) Basis of preparation

The financial statements have been prepared on the basis of historic costs, except for the financial assets for which the fair value basis of accounting has been applied.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reports for the current or prior periods.

d) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Parent and the Group's functional currency with the exception of CSP(PNG), which has a functional currency of US dollars. The Group's presentation currency is in Australian dollars.

Notes to the Financial Statements

For the year ended 30 June 2019

1. Basis of Preparation (continued)

e) New and amended standards adopted by the Group

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are relevant to their operations and effective for the current reporting period. The adoption of all the new and revised Standards and Interpretations has not resulted in any material impacts on the amounts reported for the current or prior periods. The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period, except for the accounting policies described below.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations and it applies with limited exceptions, to all revenue arising from contracts with its customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the Group to exercise judgement, considering all the relevant facts and circumstances when applying each step of the model to contracts with customers.

The Group adopted AASB 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient, however the impact on the current period is immaterial. The Group did not apply any of the other available optional practical expedients.

At the initial date of application, the effect of adopting AASB 15 did not have a material impact on the transactions and balances recognised in the financial statements.

AASB 9 'Financial Instruments'

AASB 9 supersedes pronouncement AASB 139 'Financial Instruments: Recognition and Measurement' and was adopted by the Group effective 1 July 2018. The standard brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment; and hedge accounting.

With the exception of hedge accounting which has no application to the Group so it will apply prospectively should it enter into any such arrangements, the Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018.

At the date of initial application, the Group concluded to:

- Apply the simplified approach for trade receivables in the calculation of the expected credit loss (ECL) rather than the general approach.

As a result of the adoption of the above, as at the date of initial application, there is no material impact on the transactions and balances recognised in the financial statements.

The Group's accounting policy for financial instruments from 1 July 2018 are as follows:

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit and loss.

The classification of financial instruments at initial recognition depends on the financial asset's contractual cashflow characteristics and the Group's business model for managing them. Except for the Groups trade receivables that do not contain a significant financing component, the Group initially measures the financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, less transaction costs.

Notes to the Financial Statements

For the year ended 30 June 2019

1. Basis of Preparation (continued)

Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the company's accounting policy for revenue recognition.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. In determining the provision required, the Group utilises its historical credit loss experience, adjusted only where appropriate for forward-looking factors specific to the debtors and economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Financial liabilities are classified, at initial recognition, as financial liabilities through fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and borrowings.

The treatment of changes to the contractual cash flows of a financial liabilities that is not derecognised requires modification gains or losses to be recognised in profit or loss.

As at the date of initial application, there is no material impact for the comparatives as the changes of the contractual cash flows of financial liabilities only occurred during current Financial year.

Other amendments and interpretations apply for the first time at 1 July 2018, but do not have an impact on the consolidated financial statements of the Group.

f) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2018.

g) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

A list of controlled entities is contained in Note 16(e).

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the financial report as well as their results for the period then ended.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Subsidiaries are eliminated from the date on which control is established and are de-recognised from the date that control ceases.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

For the year ended 30 June 2019

1. Basis of Preparation (continued)

h) Comparative figures

When required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for year.

i) Going concern

The Directors have considered the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Group will be able to pay its debts as and when they fall due.

The financial statements are normally prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the Group has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis, and, if so, the basis used is disclosed.

The Statement of Comprehensive Income shows the Group incurred a net loss of $797,866 (2018: $1,205,666) during the year ended 30 June 2019.

The Statement of Financial Position as at 30 June 2019 shows that the Company had cash and cash equivalents of $4,646 (30 June 2018: $3,576), a net current liability position of $3,242,176 (30 June 2018: $2,433,834 net current liabilities) and a net liability position of $3,191,528 (30 June 2018: $2,381,889).

The directors are satisfied the Group can continue as a going concern. This opinion is based on the following matters:

- Post year end, the Company issued 200,178,900 Shares in payment of $3,002,683 of trade creditors and convertible notes;
- The Group raising additional capital via any means available to it inclusive of, but not limited to, placements, option conversions, rights issues, or joint venture arrangement in a timely manner in order to fund the ongoing exploration and operation activities;
- The Group seeking approval to delay exploration activities in certain tenements if sufficient funds are not raised;
- The accounting, company secretarial and office rental fees have been deferred until the Group is in a position to pay these fees;
- The directors agreeing to forego their fees of service from 30 June 2019 to the date of either their resignation, or in the case of Alvin Tan, entering into new contractual terms should the acquisition of Takmur Pte. Limited take place; and
- Letters of support from the Managing Director and a related company to ensure that the Group has adequate working capital for at least 12 months from the date of this report.

The Board will continue to monitor cash reserves and will take the appropriate actions to curtail any shortfall by means of debt or equity funding should the need arise.

On this basis no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

Should the Group be unsuccessful with the initiatives detailed above then, the Group may in the future not be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business.

Notes to the Financial Statements

For the year ended 30 June 2019

j) Accounting Standards Issued But Not Yet Effective

The Australian Accounting Standards Board (AASB) has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

Pronouncement	**Nature of Change**	**Effective Date**
AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	AASB 2014-10 amends AASB 10: *Consolidated Financial Statements* and AASB 128: *Investments* in Associates and Joint Ventures to clarify the accounting for the sale or contribution of assets between an investor and its associate or joint venture by requiring: (a) a full gain or loss to be recognised when a transaction involves a business, whether it is housed in a subsidiary or not; and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1 January 2022
AASB 2017-4: *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*	AASB 2017-4 amends *AASB 1: First-time Adoption of Australian Accounting Standard*s to amend the requirements applicable to first-time adopters of Australian Accounting Standards as a consequence of the issuance of AASB Interpretation 23.	1 January 2019
AASB 2017-6: *Amendments to Australian Accounting Standards – Prepayment Features of Negative Compensation*	AASB 2017-6 amends AASB 9: *Financial Instruments* to permit an entity, subject to meeting a number of criteria, to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature.	1 January 2019
AASB 2017-7: *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*	AASB 2017-7 amends AASB 128 to clarify that an entity is required to account for long-term interests in an associate or a joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9: *Financial Instruments* before applying the loss allocation and impairment requirements in AASB 128.	1 January 2019

Notes to the Financial Statements

For the year ended 30 June 2019

Pronouncement	Nature of Change	Effective Date
AASB 2018-1: *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*	AASB 2018-1 amends: (a) AASB 3: *Business Combinations* to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business; (b) AASB 11: *Joint Arrangements* to clarify that an entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business; (c) AASB 112: *Income Taxes* to clarify that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits; and (d) AASB 123: *Borrowing Costs* to clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale.	1 January 2019
AASB 2018-6: *Amendments to Australian Accounting Standards – Definition of a Business*	AASB 2018-6 amends AASB 3: *Business Combinations* to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments: (a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; (c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; (d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and (e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.	1 January 2020

Notes to the Financial Statements

For the year ended 30 June 2019

Pronouncement	Nature of Change	Effective Date
AASB 2018-7: *Amendments to Australian Accounting Standards – Definition of Material*	AASB 2018-7 principally amends AASB 101: *Presentation of Financial Statements* and AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.	1 January 2020
AASB Interpretation 23: *Uncertainty over Income Tax Treatments*	Interpretation 23 clarifies how an entity should apply the recognition and measurement requirements in AASB 112: *Income Taxes* when there is uncertainty over income tax treatments. To this end, Interpretation 23 requires: (a) an entity to consider whether each uncertain tax treatment should be considered separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty; (b) in assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, assume that the taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations; (c) if the entity concludes that it is probable that the taxation authority will accept the uncertain tax treatment, the entity will determine current tax and deferred tax consistently with the treatment used or planned to be used in its income tax filings; (d) if the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity reflects the effect of uncertainty in the determination of current tax and deferred tax, based on either the ‘most likely’ amount or the ‘probability-weighted’ amount of tax (depending on which method the entity expects to better predict the resolution of the uncertainty); and (e) an entity to reassess a judgement or estimate required under Interpretation 23 if the facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate.	1 January 2019

Notes to the Financial Statements

For the year ended 30 June 2019

1. Basis of Preparation (continued)

When AASB 16 is applied by the Group at 1 July 2019, the present value the Group's operating lease commitment (adjusted for the impact, if any, of the revised definitions of 'lease term' and 'lease payments'), for all leases with a term of more than 12 months, but excluding leases of low value assets, will be recognised as a lease liability, using an appropriate discount rate as prescribed by the accounting standard. The Group will also recognise a corresponding right-of-use asset, which the Group can choose to initially measure at either its carrying amount as if the accounting standard had applied from the commencement date of the lease or at an amount equal to the initial lease liability. The preliminary assessment of the Group is that it will most likely elect to initially measure the right-of-use asset at an amount equal to the initial lease liability. As such the Group anticipates that the initial application of AASB 16 will not impact the net assets of the Group.

As disclosed in note 18 to the financial statements, the Group's aggregate operating lease expenditure commitment at 30 June 2019 (measured on an undiscounted basis) is $326,698.

Based on the Group's preliminary assessment, which includes the likely election to initially measure the right-of-use asset at an amount equal to the initial lease liability, and using a provisionally determined discount rate, it is anticipated that:

- the application of AASB 16 will result in the recognition of a lease liability and a corresponding right-of-use asset of approximately $377,917 relating to the leasing commitments disclosed in note 22; and
- the application of AASB 16 will not result in a material impact on the profit or loss of the Group, as the aggregate of the estimated interest expense on the lease liability and the estimated depreciation expense of the right-of-use asset in the first year of application is not expected to differ materially from the aggregate operating lease expense recognised by the Group for the financial year ended 30 June 2019 under the predecessor accounting standard.

The likely impact of all other new standards and interpretations on the financial statements of the Group has not been determined.

k) Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group engages in two businesses being exploration and development of oil and gas licences and investment management, activities from which it incurs costs. The major results of the Group are from the exploration and development of oil and gas licences, the investment management business is immaterial and consequently the results of the Group are analysed as a whole by the chief operating decision maker.

l) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and convertible note payables.

Non derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Notes to the Financial Statements

For the year ended 30 June 2019

1. Basis of Preparation (continued)

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Derecognition of financial liabilities

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – ie when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

Modification of financial liabilities

The Group recalculates the amortised cost of the modified financial liability by discounting the modified contractual cashflows using the original effective interest rate. The Group recognise any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification or exchange.

m) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent Costs

The Group recognises in the carrying amount of an item of Property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Depreciation

Depreciation is charged to the profit or loss on a straight-line over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Office equipment	straight-line	3 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

De-recognition

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

Notes to the Financial Statements

For the year ended 30 June 2019

1. Basis of Preparation (continued)

n) Critical accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments including those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial report:

i. The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development or alternatively sale of the areas of interest. If ultimately the areas of interest are abandoned or are not successfully commercialised, the carrying value of the capitalised exploration and evaluation expenditure is written down to its recoverable amount or provided for in full; and

ii. The Group has carried forward tax losses which have not been recognised as deferred tax assets because it is not considered sufficiently probable at this point in time, that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

iii. The Group has issued convertible notes for which a valuation cannot be derived directly from publicly quoted market prices. Where the fair value of financial liabilities cannot be derived from publicly quoted market prices, other valuation techniques such as discounted cash flow models are employed. The key judgements include future cash flows, credit risk, volatility and changes in assumptions about these factors which could affect the reported fair value of the financial instruments.

o) Rounding amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Notes to the Financial Statements

For the year ended 30 June 2019

2. Expenditure

	2019 $	2018 $
Accounting and audit fees	60,000	60,000
Audit Fees	29,878	28,315
Company secretarial	60,000	60,000
Director fees	192,000	192,000
Office rental	142,314	136,840
Superannuation expense	11,400	11,400
Travel and accommodation	2,333	1,717

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

(a) Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(b) Receivables and payables are stated with amounts of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments or contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3. Income Tax Expense

	2019 $	2018 $
(a) Income tax expense		
The components of income tax expense / (benefit) comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

Notes to the Financial Statements

For the year ended 30 June 2019

3. Income Tax Expense (continued)

	2019	2018
	$	$
(b) Reconciliation of income tax expense / (benefit) to prima facie tax payable on accounting loss		
Accounting loss before tax	(797,866)	(1,205,666)
Australian prima facie tax benefit on loss at 30% (2018: 30%)	(212,512)	(222,790)
Papua New Guinea prima facie tax benefit on loss at 30% (2018: 30%)	24,142	(138,909)
Effect of expenses that are not deductible in determining taxable profit	194,603	63,112
Other Non-Assessable Income	(139,260)	-
Current year deferred tax asset movement not booked	57,496	-
Impairment of intercompany loan	40,508	-
Tax losses not brought to account	35,023	295,587
Income tax expenses	-	-

(c) Deferred tax assets and liabilities not brought to account

The directors estimate that the potential deferred tax assets and liabilities carried forward but not brought to account as at year end at the Australian and Papua New Guinean corporate tax rate of 30% are made up as follows:

	2019	2018
Carried forward tax losses	6,969,225	7,088,216
Deductible temporary differences	1,265,034	1,299,783
	8,234,259	8,387,999

The Company estimates the Group has accumulated income tax losses of $36,194,255 (2018: $27,959,996). The benefit of these losses and timing difference will only be obtained if:

- The Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- The Group continues to comply with the conditions for deductibility imposed by law; and
- No changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the loss.

The Group expects to have carried forward tax losses, which have not been recognised as deferred assets, as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions. The utilisation of the tax losses is subject to the Group passing the required Continuity of Ownership and Same Business Test rules at the time the losses are utilised. Net deferred tax

Notes to the Financial Statements

For the year ended 30 June 2019

3. Income Tax Expense (continued)

assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences can be utilised.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and deferred tax liabilities shall be offset only if:

(a) there is a legally enforceable right to set-off current tax assets against current tax liabilities; and

(b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

4. Cash and Cash Equivalents

	2019	2018
	$	$
Cash and cash equivalents	4,646	3,576

(a) Reconciliation to cash at the end of the year		
Balance as per above	4,646	3,576
Balance per statement of cash flows	4,646	3,576

Notes to the Financial Statements

For the year ended 30 June 2019

4. Cash and Cash Equivalents (b) (Continued)

	2019	2018
	$	$
Operating loss after income tax	(797,866)	(1,205,666)
Adjustments for non-cash items		
Issue of shares to consultants	-	30,000
Depreciation	1,297	1,297
Provision for exploration expenditure	7,381	49,245
Loss on extinguishment of convertible note	4,226	-
Gain on modification of convertible note	(10,464)	-
Extinguishment of financial liability^	(203,825)	-
Changes in assets and liabilities		
Trade and other receivables	9,846	1,627
Trade and other payables	572,446	238,347
Prepayment	-	2,337
Accrued expenses	210,142	1,191
Convertible note	166,723	271,649
Movement		
Foreign exchange movement (affect on operating loss)	(11,773)	765
Net cash used in operating activities	(51,867)	(609,208)

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

^During the financial year, SPB has agreed with other parties to extinguished debt, amounting to $185,588 owing to Tamarind Resources and one of their ex-employees.

Notes to the Financial Statements

For the year ended 30 June 2019

5. Trade and Other Receivables

	2019	2018 (Restated)*
	$	$
GST receivables	14,347	24,193
Total trade and other receivables	14,347	24,193

The Group has no impairments to trade and other receivables or have receivables that are past due but not impaired.

Due to the short-term nature of the current trade and other receivables, their carrying amount is assumed to be the same as their fair value.

6. Restatement of prior period

South Pacific Resources Ltd, while preparing the financial statements of the Group for the year ended 30 June 2019, noticed an error in the presentation for the rental bonds in the year ended 30 June 2018. This resulted in the reclassification of the rental bonds from current to non-current for the year ended 30 June 2018 given the lease expire in 31 August 2021.

The reclassification adjustment had the following impact:

Financial report line item / balance affected	Note	Actual 30 June 2018	Correction	Restated Actual 30 June 2018
Balance Sheet Extract				
Current Asset				
Trade and other receivables	5	74,193	(50,000)	24,193
Non-Current Assets				
Rental Bond	6	-	50,000	50,000

There is no impact on net assets or profit & loss as a result of this adjustment.

*Certain amounts shown here do not correspond to the 30 June 2018 financial statements and reflect adjustments disclosed in Note 6.

Notes to the Financial Statements

For the year ended 30 June 2019

7. Exploration Expenditure

	2019	2018
	$	$
Capitalised exploration expenditure	2,267,022	2,217,777
Exploration expenditure for the period	7,381	49,245
	2,274,403	2,267,022
Impairment of exploration expenditure	(2,274,403)	(2,267,022)
	-	-

The exploration and evaluation costs relate to the Group's projects in Papua New Guinea.

Movement in carrying amount		
Capitalised exploration expenditure		
Carrying value at the beginning of the year	-	-
Additions	7,381	49,245
Impairment of exploration expenditure	(7,381)	(49,245)
Carrying value at end of Year	-	-

Refer to Note1(n) for significant judgements and estimates made in relation to the recoverability of capitalised exploration costs.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development on the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserve. If ultimately the areas of interest are abandoned or are not successfully commercialised, the carrying value of the capitalised exploration and evaluation expenditure would need to be written down to its recoverable amount;

Accumulated costs in relation to an abandoned area are written off in full against the statement of comprehensive income in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental rehabilitation obligations) and changes to commodity prices.

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Notes to the Financial Statements

For the year ended 30 June 2019

8. Plant and Equipment

	2019	2018
	$	$
Office Equipment – at Cost	3,890	3,890
Accumulated Depreciation	(3,242)	(1,946)
	648	1,944
Total Plant and Equipment	648	1,944

No assets are secured or under lease.

9. Trade and Other Payables

	2019	2018
	$	$
Trade payables	2,100,907	1,724,905
Accrued expenses	246,799	36,657
Total trade and other payables	2,347,706	1,761,562

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

10. Borrowings

	2019	2018
	$	$
Convertible notes (i)	860,026	699,541
Loan payable – Fanucci Pty Ltd^	52,938	-
Loan payable – Minimum Risk	500	500
	913,464	700,041

^ During 2019 financial year, Fanucci Pty Ltd has provided financial support to the Company. As at 30 June 2019, the balance is $52,938, no amounts have been repaid during the year with the full amount outstanding as at 30 June 2019. No security has been provided in respect of the loan. The related party loan payable to Fanucci Pty Ltd is unsecured, interest free and repayable on demand.

Notes to the Financial Statements

For the year ended 30 June 2019

10. Borrowings (Continued)

(i) Convertible notes

The parent entity issued 750,000 10% convertible notes for $750,000 on 25 October 2017. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 25 October 2018. The repayment date has subsequently been extended to 25 October 2019 and then again to 25 March 2020. The first extension was recorded as an extinguishment of the previous convertible notes and recognition of new convertible notes. A $4,266 loss on extinguishment of financial liability was recognised at first extension in the consolidated statement of comprehensive income. The second extension was not an extinguishment of previous convertible note but a modification of the convertible note. A gain of $10,464 was recognised in the consolidated statement of comprehensive income as at the date of modification.

The conversion rate is 3.5 cents per share, but subject to adjustments for reconstructions of equity. The convertible notes are presented in the balance sheet as follows:

	2019	2018
	$	$
Face value of notes issued	750,000	750,000
Transaction costs	(65,164)	(65,164)
Net proceeds	684,836	684,836
Amount classified as equity (net of transaction costs) (note 11)	(27,511)	(27,511)
Other equity instruments – issue of options recognised as a cost of the transaction (note 11)	(229,436)	(229,436)
Unwind of interest for the year	438,375*	271,649*
Gain on modification of financial liability	(10,464)	-
Loss on extinguishment of financial liability	4,226	-
Current liability	860,026	699,541

* Interest expense is calculated by applying the effective interest rate of 13% (2018: 80%) to the liability component. The initial fair value of the liability portion of the convertible note was determined using a market interest rate for an equivalent non-convertible note at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in issued capital, net of income tax and not subsequently remeasured

Notes to the Financial Statements

For the year ended 30 June 2019

11. Equity

(a) Ordinary Shares

	2019 No.	2019 $	2018 No.	2018 $
Fully paid ordinary shares	165,515,311	6,830,356	165,515,311	6,830,356

During the year ended 30 June 2019, the following movements of ordinary shares were noted:

	Number of shares	$
Balance as at 1 July 2017	164,515,311	6,772,845
Issue of 1,000,000 shares with an issue price of $0.03 per share in payment of an invoice	1,000,000	30,000
Equity portion of convertible notes issued (note 10)	-	27,511
Balance as at 1 July 2018	165,515,311	6,830,356
Closing balance as at 30 June 2019	165,515,311	6,830,356

Ordinary shares have no par value. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings, each ordinary share is entitled to one vote per share when a poll is called, otherwise each shareholder has one vote on a show of hands.

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.

Notes to the Financial Statements

For the year ended 30 June 2019

11. Equity (continued)

(b) Options on issue

Options issued under share based payment arrangements entered into, or existing during the years ended 30 June 2019 and 30 June 2018 are set out below:

	2019		2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding at the beginning of the period	26,950,000	$0.08	36,100,000	$0.101
Granted during the period ^	-	-	10,750,000	$0.05
Expired during the period	11,200,000	-	(19,900,000)	$0.09
Exercised during the period	-	-	-	-
Closing balance	15,750,000	$0.08	26,950,000	$0.08
Exercisable at the end or the period	15,750,000	$0.08	26,950,000	$0.08

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value of shares are measured by reference to the quoted market price. Fair value of options are measured by Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve. The volatility is estimated based on the historical volatility of the previous period equal to the life of the option granted.

^ During the 2018 financial year, the Company issued 10,750,000 options to Tamarind Classic Resources Private Limited as part of the Convertible Note transaction. These options have an exercise price of $0.05 and expiry of 22 February 2023.

Notes to the Financial Statements

For the year ended 30 June 2019

12. Reserves

	2019	2018
	$	$
Share Based Payment Reserve		
Opening balance as at 1 July 2017 / 2018	504,260	242,247
The issue of 10,750,000 unlisted options to convertible note provider (Refer to note 10)	-	229,436
Expensing of unlisted options issued to consultants	-	32,577
Closing balance as at 30 June 2018 / 2019	504,260	504,260
Foreign Currency Translation Reserve		
Opening balance as at 1 July 2017 / 2018	100,010	106,504
Foreign exchange movement	(11,773)	(6,494)
Closing balance as at 30 June 2018 / 2019	88,237	100,010
Total Reserves	592,497	604,270

Nature and Purposes of Reserve

(i) Share Based Payment Reserve

The share based payment reserve records the issue of shares and options in consideration for services rendered.

(ii) Foreign Currency Translation Reserve

The foreign currency translation reserve records the exchange difference resulting from the translation of the Group's subsidiaries from United States Dollars.

Share based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value of shares is measured by reference to the quoted market price. Fair value of options is measured by use of valuation techniques. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Foreign currency translation and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Notes to the Financial Statements

For the year ended 30 June 2019

12. Reserves (continued)

Exchange differences arising on the translation of functional to presentation currency which are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

13. Earnings Per Share

	2019	2018
	$	$
Net loss attributable to the ordinary equity holders of the Company ($)	(797,866)	(1,205,666)
Weighted average number of ordinary shares for basis per share	165,515,311	165,118,051
- Basic and diluted loss (cents per share)	(0.48)	(0.73)

The effect of options has been excluded from the calculation of the diluted EPS on the basis that this would indicate a better EPS resulting from dividing the loss by a larger number of securities.

Basic earnings per share is determined by dividing net profit after income tax attributable to members 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.

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.

Notes to the Financial Statements

For the year ended 30 June 2019

14. Share Based Payments

	2019	2018
	$	$
(a) Recognised share based payment expenses		
Expense recognised for consulting services (expensed as part of impairment to exploration expenditure) (note i)	-	32,577
Expense arising from issue of options as a cost of the convertible notes – note 11 (note ii)	-	229,436

(i) In November 2016, the Company issued 20,000,000 unlisted options with exercise prices ranging from 8 -15 cents with vesting periods of between 12months – 24 months. All options have now expired, unexercised, with the remaining expense relating to the 12 months vesting date expensed in the prior year.

(ii) In November 2017, the Company received approval from shareholders at its Annual General Meeting to issue 10,750,000 unlisted options exercisable at $0.05 and with an expiry date of five years from their date of issue as a cost of entering into the convertible note agreement. These options were issued as a cost of the transaction entered into with Tamarind Classic Resources Limited for convertible note issued (refer to Note 10 for further details).

The fair value of each option when granted was determined as $0.02134 per option. These values were calculated using an option pricing model applying the following inputs:

Share Price:	$0.023
Exercise Price:	$0.050
Expected share price volatility:	173.49%
Vesting date:	30 Nov 2017
Expiry date:	30 Nov 2022
Risk-free interest rate:	2.39%
Dividends:	-

These options were issued on 22 February 2018. As at 30 June 2018, $229,436 was recognised within the Share Based Payment reserve as a transaction cost of the convertible notes issued. This amount is expensed within the Statement of Profit and Loss over the term of the convertible notes, as an unwinding of the interest applicable to the financial liability component. Refer to note 10 of this report for further details.

Notes to the Financial Statements

For the year ended 30 June 2019

15. Financial Risk Management

The Group's financial instruments consist of deposits with banks, accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk.

Risk management is carried out by the Board of Directors who monitor, evaluate, and manage the Group's financial risk across its operating units.

The non-interest bearing financial assets and liabilities of the Group in the table below are due or payable within 30 days.

2019	Weighted Average Interest Rate %	<6 months $	>6 - 12 months $	> 12 months $	Total Contractual Cash Flows $	Carrying Amount $
Financial assets						
Cash	-	4,646	-	-	-	4,646
Non-interest bearing	-	14,347	-	-	-	14,347
		18,993	-	-	-	18,993
Financial liabilities						
Non-interest bearing	-	2,100,908	-	-	-	2,100,908
Convertible note	13%^	860,026	-	-	-	860,026
Loans payable	-	53,438	-	-	-	53,438
		3,014,372	-	-	-	3,014,372

2018 (Restated)*	Weighted Average Interest Rate %	<6 months $	>6 - 12 months $	> 12 months $	Total Contractual Cash Flows $	Carrying Amount $
Financial assets						
Cash	-	3,576	-	-	-	3,576
Non-interest bearing	-	24,193	-	-	-	24,193
		27,769	-	-	-	27,769
Financial liabilities						
Non-interest bearing	-	1,724,905	-	-	-	1,724,905
Convertible note	80%	699,541	-	-	-	700,041
Loan payable	-	500	-	-	-	500
		2,424,946	-	-	-	2,424,946

^The change of the weighted average interest rate is due to the two extension of the convertible notes during the year. As the first extension is deemed a significant modification that resulted in an extinguishment, there are no transaction costs for entering the new convertible note, which leads to a low effective interest rate.

*Certain amounts shown here do not correspond to the 30 June 2018 financial statements and reflect adjustments disclosed in Note 6.

Notes to the Financial Statements

For the year ended 30 June 2019

15. Financial Risk Management (continued)

(a) Capital risk management

The Company's capital includes share capital, and its cash and cash equivalents.The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to achieve this, the Company may issue new shares in order to meet its financial obligations.

(c) Financial risk management objectives and policies

The Board of Directors monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(b) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities (primarily trade and receivables) and from its financing activities, including deposits with banks, foreign exchanges transactions and other financial instruments.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financing loss from defaults. The Group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below:

	2019	2018(Restated)*
	$	$
Cash and cash equivalents	4,646	3,576
GST Receivables	14,347	24,193
Borrowings	913,464	700,041

The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the Group's maximum exposure to credit risk.

All receivables noted above are due within 30 days. None of the above receivables are past due.

*Certain amounts shown here do not correspond to the 30 June 2018 financial statements and reflect adjustments disclosed in Note 6.

Notes to the Financial Statements

For the year ended 30 June 2019

15. Financial Risk Management (continued)

(d) Foreign currency risk

The Group is exposed to foreign currency risk on the following:
- transactions carried out in Papua New Guinea in the local currency, Kina and USD;
- recording of CSP (PNG) financial accounts in USD from 1 July 2013 onwards; and
- translation of the CSP (PNG) financial accounts on consolidation.

The Group has not entered into any forward exchange contracts as at balance date and is currently fully exposed to foreign exchange risk.

Based on the above, the Group is exposed to USD and Papua New Guinea Kina foreign currency risk. The Group's exposure to foreign currency risk for years 2019 and 2018 was as follows:

2019	**Kina**	**USD**
Cash and cash equivalents	4,089	918
Payables	115,375	47,388
2018		
Cash and cash equivalents	4,239	-
Payables	121,634	143,256

(e) Interest rate risk exposure

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The weighted average interest rates are 13% for the Company (2018: 80%).

	2019	**2018**
	$	$
Interest bearing financial instruments:		
Cash and cash equivalents	4,646	3,576
Borrowings – convertible note	860,026	699,541

(f) Fair value

The fair value of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	2019		**2018 (Restated)***	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	$	$	$
Assets carried at fair value				
Cash and cash equivalents	4,646	4,646	3,576	3,576
Assets carried at amortised cost				
GST Receivables	14,347	14,347	24,193	24,193

Certain amounts shown here do not correspond to the 30 June 2018 financial statements and reflect adjustments disclosed in Note 6.

Notes to the Financial Statements

For the year ended 30 June 2019

15. Financial Risk Management (continued)

	2019		2018 (Restated)*	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Liabilities carried at amortised cost	$	$	$	$
Payables	2,100,908	2,100,908	1,724,905	1,724,905
Convertible note	860,026	860,026	699,541	699,541
Loan Payable	53,438	53,438	500	500

For assets and liabilities that carried at amortised cost, their carrying amount approximates its fair value due to the short-term nature.

(g) Sensitivity analysis

The Group has performed sensitivity analyses on its exposure to foreign exchange risk on balances as at balance date.

The analysis demonstrates the effect on current year results and equity that would result from a 10% movement in the United States Dollar / Australian Dollar exchange rate. Directors believe that a 10% movement for the 2019 financial year sensitivity gives a reasonable reflection of the possible movement in United States Dollar / Australian Dollar exchange rates in light of current economic conditions.

Since the Group has no investments and no borrowings, exposure to equity price risk and interest rate risk is immaterial in terms of the possible impact on the statement of comprehensive income and total equity. It has therefore not been included in the sensitivity analysis.

Foreign exchange rate risk		**2019**	**2018**
		$	$
Change in equity			
Increase Kina / AUD rate by 10% (2019 Kina / AUD: 10%)		(6,077)	(4,863)
Decrease Kina / AUD rate by 10% (2019 Kina / AUD: 10%)		6,077	4,863
Increase USD / AUD by 10%		(57,359)	(19,383)
Increase USD / AUD by 10%		57,359	19,383

Certain amounts shown here do not correspond to the 30 June 2018 financial statements and reflect adjustments disclosed in Note 6.

Notes to the Financial Statements

For the year ended 30 June 2019

16. Related Party Disclosure

(a) Key management personnel

Disclosures relating to Directors and executives are set out in Note 17.

(b) Transactions and balances with related parties

Disclosures relating to transactions and balances with related parties are set out in Note 17.

(c) Equity Interests in related parties

Details of the percentage of ordinary shares held by Directors or their related entities are disclosed in Note 17.

(d) Loans from related parties

Refer to Note 10 and 17.

(e) Subsidiaries

The consolidated financial report includes the financial information of South Pacific Resources Limited and the subsidiaries listed in the following table:

Name	**Country of incorporation and operation**	**Principal activity**	**Equity interest**		**Investment**	
			2019 %	2018 %	2019 $	2018 $
Indo Pacific Energy Pty Ltd	Australia	Holding company	100	100	-	-
Coral Sea Petroleum (PNG) Ltd	Papua New Guinea	Oil and gas exploration	100	100	1	1
Pacific Shale Gas Ltd	Papua New Guinea	Oil and gas exploration	100	100	6,600	6,600
South Pacific Resources Ltd	Papua New Guinea	Oil and gas exploration	100	100	48	48

17. Key Management Personnel Disclosures

(a) Key management personnel

The following persons were key management personnel of South Pacific Resources Limited during the financial year:

(i) Directors

Domenic Martino	Managing Director
Joseph Goldberg	Non-Executive Director
Alvin Tan	Non-Executive Director

No agreements with key management personnel or their controlled entities have been entered into.

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors.

The Company does not offer any variable remuneration incentive plans or bonus schemes to Executive Directors or any retirement benefits and, as such, there are no performance related links to the existing remuneration policies.

Notes to the Financial Statements

For the year ended 30 June 2019

17. Key Management Personnel Disclosures (continued)

The key management personnel of the Company are the Directors of South Pacific Resources Limited. Details of the remuneration of the Directors of the Company are set out below:

	2019	2018
	$	$
Short-term employee benefit	192,000	192,000
Post employment benefit	11,400	11,400
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	203,400	203,400

(b) Equity instruments disclosures relating to key management personnel

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

No options were provided to key management personnel as remuneration during the current or previous year.

(ii) Shares issued on exercise of compensation options

No shares were issued on exercise of compensation options for the current or previous year.

(iii) Option holdings

There were no compensation options issued or outstanding for the current or previous year.

(iv) Shareholdings

The number of shares in the Company held by directors or other key management personnel of the Company, including their associated entities at the end of the financial year as follows:

Company Directors and Associated Entities		Opening Balance No.	Received During Year on Exercise of Options No.	Net Change Other No.	Closing Balance No.
Mr Martino	**2019**	**14,578,000**	**-**	-	**14,578,000**
	2018	14,578,000	-	-	14,578,000
Mr Goldberg	**2019**	**14,504,545**	**-**	-	**14,504,545**
	2018	14,504,545	-	-	14,504,545
Mr Tan	**2019**	**1,115,984**	**-**	**-**	**1,115,984**
	2018	1,115,984	-	-	1,115,984

Notes to the Financial Statements

For the year ended 30 June 2019

17. Key Management Personnel Disclosures (continued)

(c) Loans to Directors

There were no loans made to the Directors of the Company, including their related parties during the financial year.

(d) Other transactions with key management personnel including their related parties

Transaction Services Pty Ltd, a related party of Mr. Martino, provided office rental and office supplies. Transaction Services Pty Ltd has been paid nil (2018: $57,200) inclusive of GST, expenses recognised during the year totalling $156,544 (2018: $150,524) inclusive of GST. A total of $326,596 (2018: $170,044) inclusive of GST, remains due and payable at year end.

Indian Ocean Corporate Pty Ltd is a related party of Mr Martino, providing company secretarial, accounting and administration services to the Company. During the 30 June 2019 year, Indian Ocean Corporate Pty Ltd has been paid nil (2018: $110,000), inclusive of GST, expenses recognised during the year totalling A$132,000 (2018: $132,000) inclusive of GST. A total of $253,000 (2018: $121,000), inclusive of GST, remains due and payable at year end.

Fanucci Pty Ltd, a related party of Mr. Martino, provided a loan to the Company. As at 30 June 2019, the balance is $52,938, no amounts have been repaid during the year with the full amount outstanding as at 30 June 2019. The loan is interest free and repayable on demand. No security has been provided in respect of the loan.

Notes to the Financial Statements

For the year ended 30 June 2019

18. Commitments and Contingent Liabilities

The Group's commitments in respect of its oil and gas licences as at 30 June 2019 were as follows:

PPL	Date Granted	Commitments	
		To November 2014	To November 2016
366	29 November 2010	USD 1 million	USD 15 million
367	29 November 2010	USD 1 million	USD 15 million
356	29 November 2010	USD 1 million	USD 15 million
357	29 November 2010	USD 1 million	USD 15 million
358	21 November 2010	USD 1 million	USD 25 million

Applications for variations to the licences were lodged in July 2014 and again in March 2016 for CSP (PNG) to reduce its commitments to USD 150,000 for each licence except PPL 358 for which a reduction to USD 200,000 was requested. The Group has received correspondence from the Papua New Guinean Department of Petroleum and Energy confirming the Group's ownership of the licences and receipt of conditional surrender and re-issue of licences documentation. The Group awaits further correspondence from the Papua New Guinean Department of Petroleum and Energy in respect of documents lodged. The potential commitments on the re-issued licences (if granted) are as follows:

PPL	Potential Commitments
	24 months
366	USD 150,000
367	USD 150,000
356	USD 150,000
357	USD 150,000
358	USD 200,000

In accordance with Section 137(2) and 137(2A) of the Oil and Gas Act, once the variations to the licences are processed and the licences re-issued the future minimum expenditure commitments will re-commence based on the requirements set out in the new licences.

An impairment provision has previously been raised in the Group accounts in relation to all of the exploration expenditure incurred on the licences held by CSP (PNG) in accordance with Australian Accounting Standard requirements. The Group will review its exploration results and may, in the future, choose to relinquish all or part of one or more PPLs and focus its efforts and funds on the other PPLs.

The Group is also still waiting on the Department to issue the unconventional hydrocarbon prospecting licences that were applied for previously.

During September 2016, the Company entered into a licence agreement with Transaction Services Pty Ltd, a related party of Domenic Martino, whereby the Company will occupy its premise for five years to 31 August 2021 at a cost of $11,000 per month (excl GST), increasing at a rate of 4%p.a. As at 30 June 2019, the total commitment outstanding is $326,698 (2018: $468,555).

There are nil contingent liabilities for the Group as at 30 June 2019 (30 June 2018: nil).

Notes to the Financial Statements

For the year ended 30 June 2019

19. Subsequent Events

The following significant events occurred after balance date and are likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

On 7 August 2019, the Company announced that it had signed a sale and purchase agreement to acquire Takmur Pty Ltd Takmur Pte. Ltd. (**Takmur**), a Singapore based company that has exclusive rights to the operation and management of a mineral sands tenement and production facility, which includes a premium quality mineral sands deposit in Indonesia (the **Transaction**). Takmur's objective is to build shareholder value by adding premium quality mineral sands deposits to its portfolio both in Indonesia and globally. The proceeds of the Capital Raising will be used to further develop the mineral sands tenement and production facilities and look to acquire upside in other projects within the mineral sands industry.

Takmur is currently focused on the fully licensed mineral sands mine which is in production, having achieved an export volume in excess of 3,000 tons of zircon in calendar year 2018, and with significant upside potential in terms of prospective resources and the ability to increase production capacity. Ultimately, Takmur aims to become a significant mineral sands player and supply world markets with premium quality zircon, securing an important role in this rapidly growing industry.

The key terms of the Transaction, which will be subject to shareholder approval, are:

1. SPR will conduct a 20 to 1 consolidation of its existing issued capital. This will reduce the issued capital of SPR to approximately 18,284,711 fully paid ordinary shares, assuming all Resolutions are passed at the Company's General Meeting to be held on 20 August 2019 (**Shares**);
2. SPR will acquire Takmur via the issue of 210,274,171 (79.8%) Shares (post-consolidation) at an issue price of AUD0.40 per Share to the shareholders of Takmur (**Vendors**);
3. SPR will seek to raise AUD14 million through the issue of 35,000,000 Shares at a price of AUD0.40 per Share under a prospectus (**Capital Raising Shares**) and seek re-admission to the Official List of the ASX under Chapters 1 and 2 of the Listing Rules.

On completion of the Transaction SPB will change its name to "Pyx Resources Limited". Additionally, the current Board of SPR will resign and be replaced by 3 new Board members, with the exception of Alvin Tan who will stay on as Director following the Transaction.

In respect of the Company's Papua New Guinea assets, given the low oil price and lack of commercial prospectively, the Company has entered into an agreement with Ana and Bella Pty Ltd to sell these assets, subject to shareholder approval and the Transaction completing, for a nominal amount.

On 28 August 2019, the Company approved the issue of 200,178,900 Shares in payment of $3,002,683 of trade creditors and convertible notes.

20. Dividend

No dividend has been paid during the year and no dividend is recommended for the year.

Notes to the Financial Statements

For the year ended 30 June 2019

21. Remuneration of Auditors

	2019	2018
	$	$
Current year		
Auditors of the Company – Pitcher Partners BA & A Pty Ltd		
Remuneration for audit and review of the financial report Pitcher Partners BA & A Pty Ltd	29,171	28,300
Remuneration for other services – taxation Pitcher Partners Accountants & Advisors WA Pty Ltd	7,396	6,700
	36,567	35,000

22. Parent Entity Information

South Pacific Resources Limited is the legal parent entity of the consolidated group. The following information is provided for the Company:

Financial position

	2019	2018
	$	$
Assets		
Current assets	2,771	52,814
Non-current assets	32,248	8,545
Total assets	35,020	61,359
Liabilities		
Current liabilities	2,451,610	1,735,126
Total liabilities	2,451,610	1,735,126
Equity		
Issued capital	39,327,253	39,327,253
Share based payment reserve	504,260	504,260
Retained earnings	(42,248,103)	(41,505,780)
Total equity	(2,416,590)	(1,674,267)
Financial performance		
Loss for the year	(742,323)	(1,366,237)

Notes to the Financial Statements

For the year ended 30 June 2019

22. Parent Entity Information (Continued)

	2019	2018
	$	$
Other comprehensive income	-	-
Total comprehensive loss	(742,327)	(1,366,237)

Commitments and contingent liabilities of the parent entity

During September 2016 the Company entered into a licence agreement with Transaction Services Pty Ltd, a related party of Domenic Martino, whereby the Company will occupy its premise for five years to 31 August 2021 at a cost of $11,000 per month (excl GST), increasing at a rate of 4%p.a. As at 30 June 2019, the total commitment outstanding is $326,698 (2018: $468,555).

As disclosed in the note 1(j), based on the Group's preliminary assessment, which includes the likely election to initially measure the right-of-use asset at an amount equal to the initial lease liability, and using a provisionally determined discount rate, it is anticipated that the application of AASB 16 will result in the recognition of a lease liability and a corresponding right-of-use asset of approximately $326,698 relating to the leasing commitments.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 25 to 62 are in accordance with the *Corporations Act 2001*:

a) Comply with Accounting Standards and the *Corporations Regulations* 2001, and other mandatory professional reporting requirements;

b) As stated in Note 1 (a) the financial statements also comply with International Financial Reporting Standards; and

c) Give a true and fair view of the financial position of the Group at 30 June 2019 and of their performance for the year ended on that date.

In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declaration required to be made by the Managing Director to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2019.

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

On behalf of the Directors

Domenic Martino

Director

27 September 2019

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SOUTH PACIFIC RESOURCES LTD

In relation to the independent audit for the year ended 30 June 2019, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of South Pacific Resources Ltd and the entities it controlled during the year.

Pitcher Partners BA&A Pty Ltd

PITCHER PARTNERS BA & A PTY LTD

JOANNE PALMER
Executive Director
Perth, 27 September 2019

Pitcher Partners BA&A Pty Ltd

An independent Western Australian Company ABN 76 601 361 095.
Level 11, 12-14 The Esplanade, Perth WA 6000
Registered Audit Company Number 467435.
Liability limited by a scheme under Professional Standards Legislation.

Adelaide Brisbane Melbourne Newcastle Perth Sydney

Pitcher Partners is an association of independent firms.
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

SOUTH PACIFIC RESOURCES LTD
ABN 30 073 099 171

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SOUTH PACIFIC RESOURCES LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of South Pacific Resources Ltd "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(i) in the financial report, which indicates that the Group incurred a net loss of $797, 866 during the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its total current assets by $3,242,176. As stated in Note 1(i), these events or conditions, along with other matters as set forth in Note 1(i), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Liability limited by a scheme under Professional Standards Legislation.

SOUTH PACIFIC RESOURCES LTD
ABN 30 073 099 171

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SOUTH PACIFIC RESOURCES LTD

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Exploration Expenditure *Refer to Note 7*	
As at 30 June 2019 the carrying value of exploration and evaluation expenditure was $Nil. In addition, $7,381 additional exploration expenditure was capitalised in accordance with Group's accounting policy and then impaired during the year. The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation expenditure may exceed its recoverable amount. The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including but not limited to: • whether the Group has tenure of the tenement; • whether the Group has sufficient funds to meet the tenement minimum expenditure requirements; and • whether there is sufficient information for a decision to be made that the area of interest is not commercially viable.	Our procedures included, amongst others: Considering the Group's right to explore in the relevant area of interest, which included obtaining and assessing supporting documentation. We also considered the status of the exploration licences as it related to tenure. Considering the Group's intention to carry out significant exploration and evaluation activity in the relevant area of interest, including an assessment of the Group's cash-flow forecast models, discussions with senior management and Directors as to the intentions and strategy of the Group. Considering whether the exploration activities within each area of interest have reached a stage where the commercial viability of extracting the resource could be determined. Assessing the adequacy of the disclosures included within the financial report.
Convertible note Modifications *Refer to Note 10*	
On 25 October 2017, SPB entered into a convertible note term sheet with Tamarind Classic Resources Private Limited, totalling $750,000. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 25 October 2018. The repayment date has subsequently been extended to 25 October 2019 ('Extension 1') and then again to 25 March 2020 ('Extension 2'). Extension 1 was recorded as an extinguishment of the previous convertible notes and recognition of new convertible notes. A loss on extinguishment of financial liability was recognised at Extension 1 in the consolidated statement of comprehensive income. Extension 2 was accounted for as a modification of the convertible notes. As a result of modification, modification gain was recognised in the consolidated statement of comprehensive income as at the date of modification.	Our procedures included, amongst others: Obtaining an understanding of and evaluating the process and controls surrounding the accounting for the company's convertible notes. Obtaining an understanding of extension of the repayment terms of convertible notes to conclude on whether or not the extension represented extinguishment or modification for accounting purposes. Re-performing the calculations of Extension 1 and Extension 2 of the convertible notes to determine the impact on the consolidated statement of comprehensive income of each. Assessing the adequacy of the disclosures in accordance with the applicable accounting standards.

SOUTH PACIFIC RESOURCES LTD
ABN 30 073 099 171

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SOUTH PACIFIC RESOURCES LTD

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

SOUTH PACIFIC RESOURCES LTD
ABN 30 073 099 171

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SOUTH PACIFIC RESOURCES LTD

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

SOUTH PACIFIC RESOURCES LTD
ABN 30 073 099 171

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SOUTH PACIFIC RESOURCES LTD

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of South Pacific Resources Ltd, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pitcher Partners BA&A Pty Ltd

PITCHER PARTNERS BA&A PTY LTD

JOANNE PALMER
Executive Director
Perth, 27 September 2019

STOCK EXCHANGE INFORMATION

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is as at 6th September 2019.

NUMBER OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHAREHOLDERS

There are 365,694,211 fully paid ordinary shares on issue, held by 693 individual shareholders. Each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or a representative or a proxy of a member shall have one vote and on a poll every member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

TWENTY LARGEST SHAREHOLDERS (AS AT 6th SEPTEMBER 2019)

	Fully Paid Ordinary	
Ordinary Shareholders	**Number**	**Percentage**
Tamarind Resources Private Limited	59,024,614	16.14
CA Resources Pty Ltd <CA Resources A/C>	47,110,393	12.88
Lightglow Enterprises Pty Ltd <The Paloma Investments A/c>	23,927,578	6.54
Fanucci Pty Ltd <Fanucci A/C>	22,433,333	6.13
Transaction Services Pty Ltd	21,773,051	5.95
BNP Paribas Noms Pty Ltd <UOB KH P/L AC UOB KH DRP>	21,450,000	5.87
Indian Ocean Capital Pty Ltd	16,866,667	4.61
Ostle International Pty Ltd	14,800,000	4.05
HSBC Custody Nominees (Australia) Limited	13,040,996	3.57
JP Morgan Nominees Australia Limited	12,419,345	3.40
Guangzhou Financial Pty Ltd	7,750,000	2.12
Insight Exploration Pty Ltd	7,697,809	2.11
Mr Julian Lionel Sandt	6,300,000	1.72
McNeil Nominees Pty Ltd	4,937,175	1.35
Ms Natalia Albuquerque Silva	3,600,000	0.98
MDC Funds Pty Ltd	3,028,388	0.83
Mr Colin Weekes	2,751,005	0.75
Ms Sara Louise Hawkins	2,537,500	0.69
Australian Executor Trustees Limited <No. 1 A/C>	2,535,205	0.69
RoadHound Electronics Pty Ltd	2,533,668	0.69
	296,893,335	81.19

STOCK EXCHANGE INFORMATION

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

(a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

HOLDERS OF NON-MARKETABLE PARCELS

There are 534 shareholders who hold less than a marketable parcel of shares.

DISTRIBUTION OF SHARE HOLDERS (AS AT 6 SEPTEMBER 2019)

	Number of Holders	Number of Shares
1 to 1,000	148	41,352
1,001 to 5,000	150	405,896
5,001 to 10,000	104	894,960
10,001 to 100,000	152	5,506,519
100,001 and over	139	358,845,484
	693	365,694,211

OPTIONS

As at 6TH September 2019 the following unlisted options were on issue:

- 5,000,000 unlisted options with an exercise price of $0.15 and a 36 month term (24/11/2019), vesting upon Tamarind being engaged for a period of two years, unless terminated by the Company in which case the options vest immediately. These options are issued to Tamarind Management SDN BHD
- 10,750,000 unlisted options with an exercise price of $0.05 and an expiry date of 22/02/2023 issued to Tamarind Classic Resources Private Limited

STOCK EXCHANGE INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 6TH September 2019, there are 4 shareholders recorded in the Register as Substantial Shareholders:

Mr D Martino & Mrs S Martino	72,551,051 shares
Tamarind Resources Private Limited	59,042,614 shares
Mr Bradley Hawkins & Mrs Sara Hawkins	50,120,394 shares
Lightglow Enterprises Pty Ltd <The Paloma Investments A/c>	23,927,578 shares

SHARE BUY-BACKS

There is no current on-market buy-back scheme.

RESTRICTED SECURITIES

There are no restricted securities at 6th September 2019.

OTHER INFORMATION

South Pacific Resources Limited, incorporated and domiciled in Australia, is a public listed Company limited by shares.