

**Indian Pacific Resources Limited
(ACN 139 847 555)**

**Annual Report
Year 31 December 2018**

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DIRECTORS' REPORT

The directors present their report, together with the financial statements of Indian Pacific Resources Limited (ACN 139 847 555) (hereafter referred to as the "Company"), for the financial year ended 31 December 2018.

Principal Activities

The principal activities of the Company during the financial year were exploration for iron ore in Madagascar. There was no significant change in the nature of these activities during the year.

Operating Results, Review of Operations for the Year and Significant Changes in State of Affairs

The Company recorded a net loss after tax of \$334,222 the year ended 31 December 2018 (the net loss after tax for the previous financial year was A\$881,025). In 2017, the Company incurred once-off costs associated with the abandonment of the listing of the Company on the LSE of \$657,342.

No significant changes in the Company's state of affairs occurred during the financial year.

Dividends

No dividends were declared and paid during the year.

Events After Balance Date

On 27 May 2019, the company entered into a short-term financing arrangement with Baker Steel Resources Trust Limited for \$100,000 (face value \$120,000) for assisting with fundraising activities in North America and Europe.

The Company deferred the payment of the 2019/2010 administration fees for a number of tenements associated with the Ambodilafa and Tratramarina projects. The Bureau du Cadastre Minier de Madagascar advised tenement holders that it would not cancel any tenements that renewal fees became in arrears as a result of the failure of the government to grant, renew or transform tenements. The decision by the Company was consistent with other miners and explorers who have demanded the government address the shortcomings of previous administrations.

Environmental Issues

The Company's projects are subject to the laws and regulations regarding environmental matters in Madagascar. Many of the activities and operations of the Company cannot be carried out without prior approval from and compliance with all relevant authorities. The company conducts its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the company could be subject to liability due to risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances.

Information on Directors

The following persons were the directors in office during the period 1 January 2018 to 31 December 2018 and since year-end unless otherwise stated:

PG Bibby (Non-executive Director), appointed 3 July 2015
MA Burridge (Non-executive Director), resigned 5 May 2019
SL Fabian (Non-executive Director), appointed 23 January 2018
JM Madden (Executive Director and Company Secretary), appointed 6 October 2009
DL Wu (Non-executive Director and Chairman), appointed 23 January 2018

No director received any cash remuneration for the financial year ended 31 December 2018 (2017: nil).

At the general meeting of shareholders on the 23 January 2017, non-executive directors of the Company were awarded 42,063,333 performance shares on the completion of a minimum of \$2.5 million equity raising after costs. The milestone was not achieved by balance date, 31 December 2018, and remains contingent on the achieve of this equity raising objective.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Proceedings on Behalf of Company

Former employees of Mineral Resources of Madagascar sarl, the entity through with the Company has earned a 90% equity interest in the Ambodilafa tenements, have brought an action for wrongful dismissal by MRM.

Pursuant to the Ambodilafa Farm-in Agreement, the Company was responsible for the payment of redundancies. On 30 September 2014, the Company made the employees of MRM redundant and on receipt from the Inspector of work for economic dismissal (*de l'inspection du travail pour licenciement economique*) of approval for the redundancies and approval of the amounts payable to each employee under the Labour Code the employees were made redundant.

The former employees of MRM brought an action for wrongful dismissal against MRM in early 2015.

On 30 November 2016, Malagasy courts ruled in favour of the Company stating that the Company had complied with the Labour Code.

On 8 March 2017, the former employees of MRM appealed the decision and the courts have not ruled on the appeal and during the course of the financial year the Company settled the dispute with the former employees of MRM and paid \$24,823 in compensation.

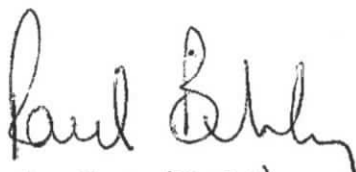
Non-Audit Services

There were no non-audit services provided by the Company's external auditor.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

This report of the directors is signed in accordance with a resolution of the Board of Directors.



CEO + Director.

for

DL Wu
Chairman

Dated this 31 May 2019

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To The Board of Directors

**Auditor's Independence Declaration under Section 307C of the
Corporations Act 2001**

As lead audit Partner for the audit of the financial statements of Indian Pacific Resources Limited for the financial year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Partner

Dated at Perth this 31st day of May 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	31 December	
		2018	2017
		\$	\$
Total revenue and other income	6	6,514	372
Expenditure			
Administration costs		74,486	62,828
Employee costs		76,053	49,854
Deferment of settlement terms for acquisition of Ore Corporation of Madagascar sarl costs		53,131	96,154
Finance costs		-	44,399
Contractors and consultants		47,711	60,229
Exchange fluctuation		85,704	(94,834)
Listing costs		-	657,342
Other		3,651	5,425
Total expenditure		340,736	881,397
Loss before tax for year		(334,222)	(881,025)
Income tax (expense)/benefit	7	-	-
Net loss attributable to shareholders of IPR		(334,222)	(881,025)
Net loss for the year attributable to:			
Non-controlling interests		16,566	36,213
Owners of Indian Pacific Resources Limited		(350,788)	(917,238)
		(334,222)	(881,025)
Items that have been or may be subsequently reclassified to profit or loss			
Translation reserve		60,004	(116,539)
Total comprehensive income for the year		274,218	(997,564)
Total comprehensive income for the year attributable to:			
Non-controlling interests		9,405	47,341
Owners of Indian Pacific Resources Limited		(283,623)	(1,044,905)
		(274,218)	(997,564)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December	
		2018	2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	9	83,538	400,292
Receivables	10	5,739	26,620
Other	11	2,842	2,778
Total current assets		92,119	429,690
Non-current assets			
Exploration and evaluation	12	2,970,267	2,880,650
Total assets		3,062,386	3,310,340
Liabilities			
Current liabilities			
Payables	13	231,686	223,465
Provisions	14	21,293	18,561
Borrowings and other liabilities	15	240,000	353,071
Deferred consideration	16	407,340	320,514
Total current liabilities		900,319	915,611
Total liabilities		900,319	915,611
Net assets		2,162,067	2,394,729
Equity			
Contributed equity	17	15,971,191	15,929,635
Reserves	18	(110,488)	(177,653)
Accumulated losses	19	(13,788,453)	(13,437,665)
Equity attributable to shareholders of IPR		2,072,250	2,314,317
Attributable to non-controlling interests		89,817	80,412
Total equity		2,162,067	2,394,729

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Translation Reserve	Accumulated Losses	Attributable to Shareholders of IPR	Attributable to Non-controlling Interests	Equity
	\$	\$	\$	\$	\$	\$
As at 31 December 2016	15,334,474	(64,063)	(12,506,350)	2,764,061	33,071	2,797,132
Transactions with owners in their capacity as owners of the Company						
Share issues	595,161	-	-	595,161	-	595,161
Equity raising costs	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Net loss for the period	595,161	-	-	595,161	-	595,161
Other comprehensive income	-	-	(917,238)	(917,238)	36,213	(881,025)
Total comprehensive income	-	(113,590)	(14,077)	(127,667)	11,128	(116,539)
Newly consolidated entities	-	(113,590)	(931,315)	(1,044,905)	47,341	(997,564)
Income and expense for the period recognised directly in equity	-	-	-	-	-	-
As at 31 December 2017	15,929,635	(177,653)	(13,437,665)	2,314,317	80,412	2,394,729
Transactions with owners in their capacity as owners of the Company						
Share issues	41,556	-	-	41,556	-	41,556
Equity raising costs	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Net loss for the period	41,556	-	-	41,556	-	41,556
Other comprehensive income	-	-	(350,788)	(350,788)	16,566	(334,222)
Total comprehensive income	-	67,165	-	67,165	(7,161)	60,004
Income and expense for the period recognised directly in equity	-	67,165	(350,788)	(283,623)	9,405	(274,218)
As at 31 December 2018	15,971,191	(110,488)	(13,788,453)	2,072,250	89,817	2,162,067

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	31 December 2018	31 December 2017
		\$	\$
Cash flows from/(used) in operating activities			
Payments to employees and suppliers		(250,346)	(578,117)
Interest received		497	372
Net cash flows from/(used) in operating activities	25	(249,849)	(577,745)
Cash flows from/(used) in investing activities			
Proceeds from sale of tenements		6,017	8,209
Exploration and evaluation expenditure		(81,622)	(103,575)
Net cash flows from/(used) in investing activities		(75,605)	(95,366)
Cash flows from financing activities			
Proceeds from share issues		8,700	480,161
Proceeds from borrowings		-	200,000
		8,700	680,161
Net cash flows		(316,754)	7,050
Cash and cash equivalents as at the start of the financial period		400,292	393,242
Cash and cash equivalents as at the end of the financial period	9	83,538	400,292

The accompanying notes form part of these financial statements

Note 1 Corporate information

The Financial Statements of Indian Pacific Resources Limited (hereafter referred to as the "parent entity") and its controlled entities comprising Malagasy Holdings (Tratramarina Pty Ltd (formerly Malagasy Exploration and Mining Pty Ltd) and its controlled entity Universal Exploration Madagascar sarl) and Malagasy Holdings (Bekisopa) Pty Ltd (formerly IPR Services Pty Ltd) and its controlled entity Iron Ore Corporation of Madagascar sarl) for the financial year ended 31 December 2018.

The Financial Statements were authorised for issue in accordance with a resolution of the Board of Directors on 31 May 2019.

The parent entity is as at the date of this annual report an unlisted public entity limited by shares incorporated in Australia.

The principal activities of the parent entity are exploration for ferrous metals.

Note 2(a) Basis of preparation and accounting policies

Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards Board (hereafter referred to as "AASB") standards and other authoritative pronouncements of the AASB and the *Corporations Act 2001*.

The financial report has been prepared on an historical cost basis.

The financial report is presented in Australian dollars.

The Statement of Comprehensive Income for both 2018 and 2017 covers the period 1 January to 31 December in each year.

Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going concern

The Group recorded a net loss of \$334,222 (2017: \$881,025) and incurred cash outflows from operating and investing activities of \$325,454 for the year ended 31 December 2018 (2017: \$673,111). As at 31 December 2018, the Group had working capital deficit of \$808,200 (2017: \$485,921). The Group has been advised by Baker Steel Resources Trust Limited (which was due for repayment on 17 October 2017 (refer note 15) that it intends to seek to convert its loan instrument into equity provided its equity interest does not exceed 20%. After allowance for the conversion of the loan instrument with Baker Steel Resources Trust Limited (which the Group expects after its equity raising in North America and Europe) and the deferral (refer to Note 16, \$407,340 has been deferred until 12 December 2019) by Marret Asset Management Inc of the outstanding obligation for the Bekisopa project, the Group has a working capital deficit of \$160,860 (2017: negative net assets of \$245,921).

The Group has ongoing operating and expenditure cash flow plans in relation to its Exploration interests together with its ongoing corporate and operating expenditure requirements. Expenditure on exploration is inclusive of, but not limited to, those amounts identified in Notes 21 and 22. To fulfil the expenditure requirements contemplated by those plans, the Group will require additional funding.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Groups ability to continue as a going concern.

The ongoing operation of the Group is dependent upon:

- (i) The Group raising sufficient additional funding from shareholders or other parties;
- (ii) The group converting existing loans to equity and if necessary deferring deferred payment arrangements; and
- (iii) The Group reducing expenditure in line with available funding.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report. Included in this forecast is a drawdown of a loan instrument from Baker Steel Resources Trust Limited and a successful raising by the middle of the year from investors in North America and Europe. As at the date of this report, the Company and Baker Steel entered into a loan instrument for \$100,000 (face value of \$120,000) was drawdown on 29 May 2019. The Company has not completed the North America and Europe capital raisings as at the date of this report.

Based on the cash flow forecast and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date and the Heads of Agreement, the directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

Critical accounting estimates

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial report are disclosed in Note 3.

Note 2(b) Capital management policy

The goal of management is to ensure that the Group continues as a going concern whilst simultaneously managing the dilution. The Group seeks to add value through its exploration and evaluation activities so that new issues of shares can be undertaken at a premium to previous issues.

The Group is involved in high risk exploration and therefore, it looks to raise equity rather than debt or quasi-equity instruments.

Note 2(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Indian Pacific Resources Limited and its controlled entities as at and for the period ended 31 December each year (the Group).

Controlled entities are those entities over which the Group has the power to govern the financial and operating policies to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies, in preparing and consolidated financial statements, all inter-parent entity balances, transactions, unrealised gains and losses resulting from the intra-group transactions have been eliminated in full.

Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in controlled entities by Indian Pacific Resources Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of controlled entities is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the entity acquired. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the identifiable assets acquired less the liabilities assumed and the fair value of the consideration is goodwill or discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent entity.

Total comprehensive income within a controlled entity is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a controlled entity that does not result in a loss of control, is accounted for as an equity transaction.

A change in the ownership interest of a controlled entity, without a loss of control, is accounted for as an equity transaction, if the Group loses control over a controlled entity, it:

- (i) Derecognises the assets (including goodwill) and liabilities of the controlled entity;
- (ii) Derecognises the carrying amount of any non-controlling interest;
- (iii) Derecognises the cumulative translation differences recorded in equity;
- (iv) Recognises the fair value of the consideration received;
- (v) Recognises the fair value of any investment retained;
- (vi) Recognises any surplus or deficit in the Statement of Comprehensive Income statement; and

- (vii) Reclassifies the parent entity's share of components previously recognised in other comprehensive income to Statement of Comprehensive Income or retained earnings, as
- (viii) appropriate.

Note 2(d) Foreign currency translation

The financial report of the Group is presented in Australian dollars, which is the functional and presentation currency of the parent entity. Each entity in the Group determines its own functional currency.

On Consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and the income statements for foreign operations are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

Note 2(e) Revenue recognition

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

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

Revenue is recognised as follows:

Interest income

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

Note 2(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current tax charge is calculated on the basis of the tax laws acted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial report of the Group. Deferred income tax; however, is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the financial period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable

right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is a recognised in Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Note 2(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property, or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each financial period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Note 2(h) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each financial period.

Note 2(i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Note 2(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

The amount of impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment is recognised in Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent financial period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in Statement of Comprehensive Income.

Note 2(k) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through Statement of Comprehensive Income, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, re-evaluates this designation at the end of each financial period.

- (i) *Financial assets at fair value through Statement of Comprehensive Income*
Financial assets at fair value through Statement of Comprehensive Income include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.
- (ii) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the financial period which are classified as non-current assets.
- (iii) *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-for-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the financial period, which are classified as current assets.
- (iv) *Available-for-sale financial assets*
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the financial period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Re-classification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised

cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through Statement of Comprehensive Income. Financial assets carried at fair value through Statement of Comprehensive Income, are initially recognised at fair value and transaction costs are expensed in Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to Statement of Comprehensive Income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through Statement of Comprehensive Income are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through Statement of Comprehensive Income' category are presented in Statement of Comprehensive Income within other income or other expenses in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in Statement of Comprehensive Income, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Impairment

The Group assesses at the end of each financial period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Statement of Comprehensive Income - is reclassified from equity and recognised in Statement of Comprehensive Income as a reclassification adjustment. Impairment losses recognised in Statement of Comprehensive Income on equity instruments classified as available-for-sale are not reversed through Statement of Comprehensive Income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in Statement of Comprehensive Income.

Note 2(l) Property, plant and equipment

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Computer hardware and software 3 years
- Exploration equipment 5 years
- Motor vehicles 4 years
- Office furniture and fittings 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in Statement of Comprehensive Income. When revalued assets are sold, it is the Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Note 2(m) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to Statement of Comprehensive Income as incurred, unless the board of directors conclude that a future economic benefit is more likely to be realised.

Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest are current and either:

- (i) the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale;
- (ii) the exploration and evaluation activities in the area of interest have not at the end of a financial period reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to this reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying amount of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in Statement of Comprehensive Income.

Note 2(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 2(o) Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of

resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the financial period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Note 2(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits. These long-term benefits are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Note 2(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the Group reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in Statement of Comprehensive Income and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Note 2(r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the financial period.

Note 2(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Note 2(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors, the chief operating decision making body, which is responsible for the allocation of resources and performance assessment of the operating segments.

Note 2(u) Application of New and Revised Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 31 December 2018. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below:

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 its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments* and related amending Standards
- AASB 15 *Revenue from Contracts with Customers* and related amending Standards
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Group adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures*.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018.

This standard provides a single standard for revenue recognition. The core principle of the standard is that an entity must recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity must select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

The entity has assessed the requirements of AASB 15, and analysed the effect this has on revenue recognition however there was no material impact on adoption of the standard.

New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a high-level assessment of the impact of this new Standard, as follows.

A core change under AASB 16: Leases is that most leases will be recognised on the balance sheet by lessees, as the new Standard does not differentiate between operating and finance leases.

An asset and a financial liability are recognised in accordance with this new Standard. There are, however, two exceptions allowed. These are short-term and low-value leases.

Note 3 Significant accounting judgments and estimates

The preparation of the Group's financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements is described below.

(i) *Functional currency*

The functional currency of foreign operations has been determined as Australian dollars. This outcome has resulted from examination of the prevailing facts and circumstances, including the basis on which the entities incur obligations for exploration and evaluation activities and the basis on which the foreign operations are funded.

(ii) *Exploration and evaluation expenditure*

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a resource, in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code 2012 Edition, is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about the future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 31 December 2018 exploration activities in each area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each area of interest are continuing and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed.

If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely or exploration activities in the area have ceased, the amount capitalised is written off in Statement of Comprehensive Income in the period when the new information becomes available.

(iii) *Recovery of deferred tax assets*

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdiction in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Note 4

Financial risk management objectives and policies

The Group's principal financial instruments comprise of cash and short-term deposits and other financial assets.

The main purpose of these financial instruments is to invest funds raised by the Group until utilised in exploration activities.

The Group has other financial instruments such as current receivables and payables arising from corporate activities.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Chief Financial Officer is responsible for the management of the Group's financial risk. The Chief Financial Officer updates the board of directors regularly on financial risk management measures that he implements.

Risk exposures and responses

Interest rate risk

The Group is exposed to market interest rates on moneys it has deposited with Australian banking institutions in form of short-term deposits.

At the end of the financial period, the Group had the following financial assets exposed to Australian variable interest rate risk:

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Chief Financial Officer is responsible for the management of the Group's financial risk. The Chief Financial Officer updates the board of directors regularly on financial risk management measures that he implements.

Risk exposures and responses

Interest rate risk

The Group is exposed to market interest rates on moneys it has deposited with Australian banking institutions in form of short-term deposits.

At the end of the financial period, the Group had the following financial assets exposed to Australian variable interest rate risk:

	31 December	
	2018	2017
	\$	\$
Cash and cash equivalents	83,538	400,292

At the end of the financial period, the Group had no financial liabilities exposed to variable interest rate risks.

The Group's cash management policy is to invest surplus funds at the best available rate received from the Australia and New Zealand Bank Group Limited.

Set out below is a sensitivity analysis of the financial implications of interest rate risk exposure as at the end of the financial year. If interest rates had moved, with all other variables constant, profit after tax and equity would have been:

	31 December	
	2018	2017
	\$	\$
Profit after tax		
Higher/(lower)		
+1% (100 basis points)	7,257	11,903
-1% (100 basis points)	(2,419)	(3,968)
Equity		
Higher/(lower)		
+1% (100 basis points)	6,760	11,531
-1% (100 basis points)	(1,922)	(3,596)

The movement in equity is directly linked to the movement in the Statement of Comprehensive Income as the Group does not undertake any interest rate hedging.

Foreign currency risk

The Group has incurred a number of US obligations which it extinguished through the purchase of US dollars. At balance date, these US obligations outstanding are recorded as payables in the Statement of Financial Position. The Group will continue to incur US dollar financial obligations into the future as some of items acquisition obligations are denominated in US dollars and the *Banque Centrale de Malgache* has mandated through its regulatory role to limit the number of foreign currencies in which Malagasy entities can conduct business to Euros and US dollars.

As at 31 December 2018, the Group had US dollar payables \$407,340 (2017: \$237,105). The Company is increasingly sourcing all its foreign currency requirements from Western Union Business Solutions. Western Union secures Malgache ariary by way of US dollar and converts the US dollar equivalent into Australian dollars.

The table below sets out the financial impact of the strengthening or weakening of the Australian dollar against the US dollar on a profit after tax and equity basis as at the end of the financial year, with all other variables constant:

	31 December	
	2018	2017
	\$	\$
Profit after tax		
Higher/(lower)		
+5% AUD/USD exchange rate	28,202	12,281
-5% AUD/USD exchange rate	(31,171)	(11,111)
Equity		
Higher/(lower)		
+5% AUD/USD exchange rate	28,202	12,281
-5% AUD/USD exchange rate	(31,171)	(11,111)

Commodity price risk

Presently, the principal activities of the Group are the exploration and evaluation of ferrous-based minerals in Madagascar and, as at the date of this financial report, does not have any commodity price risk exposure from the production of ferrous-based minerals.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and other receivables. The parent entity invests only in short-term deposits with institutions that have AA /A-1+ with a stable outlook rating. In Madagascar, the Group

banks with *Banque Malgache de l'Océan Indien*, a banking institution controlled by *Banque populaire-Caisse d'épargne*. BPCE is rated A+/A-1+ with a stable outlook rating. The Group maintains minimal cash balances in its Malagasy controlled entities.

Current receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Concentration risk

The Group does not have any concentration risk.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the ability of the Group to meet these obligations as and when they fall due.

The Group does not have any external borrowings; however, the Group will need additional equity funds in order to explore and evaluate its ferrous-based minerals in Madagascar.

The maturity analysis of financial assets and financial liabilities is set out below:

Year ended 31 December 2018					
	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Total
Financial assets					
Cash and cash equivalents	83,538	-	-	-	83,538
Receivables	5,739	-	-	-	5,739
Other current assets	2,842	-	-	-	2,842
	92,119	-	-	-	92,119
Financial liabilities					
Payables	(15,000)	-	-	(216,686)	(231,686)
Other payables	-	(240,000)	-	(407,340)	(647,340)
Net maturity	77,119	(240,000)	-	(624,026)	(786,907)

Year ended 31 December 2017					
	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Total
Financial assets					
Cash and cash equivalents	400,292	-	-	-	400,292
Receivables	26,620	-	-	-	26,620
Other current assets	2,778	-	-	-	2,778
	429,690	-	-	-	429,690
Financial liabilities					
Payables	(223,465)	-	-	-	(223,465)
Other payables	(113,071)	(240,000)	-	(320,514)	(673,585)
Net maturity	93,154	(240,000)	-	(320,514)	(467,360)

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised as amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

Note 5

Segment reporting

The group operates solely in the mining exploration industry.

The Group determines operating segments by reference to internal reports that are reviewed and used by the executive management team, being the chief operating decision makers (CODMs) in assessing performance and determining the allocation of resources. The CODMs consider the exploration expenditure in relation to the tenements held in Madagascar, however discrete financial information is not provided in relation individual tenements. On this basis, these tenements are not considered to be discrete operating segments.

Note 6 Total revenue and other income

	31 December	
	2018	2017
	\$	\$
Other income		
Proceeds from sale of tenement	6,017	
Interest on short-term deposits	497	372
	<u>6,514</u>	<u>372</u>

Note 7 Income tax

	31 December	
	2018	2017
	\$	\$
Accounting profit/(loss)	(334,222)	(881,025)
Tax for the financial year		
At the statutory income tax rate applicable to the Company 27.5% (2017: 30%)	91,911	264,308
Tax losses for the current year for which no deferred tax asset is recognised	17,219	(213,201)
Capital losses	14,611	(28,846)
Exchange fluctuation	(20,915)	28,450
Implicit interest	-	(13,320)
Listing costs	(102,826)	(37,391)
Income tax (expense)/benefit	<u>-</u>	<u>-</u>

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable taxable profits will be available against which the unused tax losses/credits can be utilised.

The Group has unrecognised tax losses that are available indefinitely of \$7,375,361 (2017: \$6,644,306) to carry forward against future taxable income and unrecognised tax capital losses that are available indefinitely of \$6,531,564 (2017: \$6,478,433) to carry forward against future taxable capital gains.

Note 8 Dividends paid and proposed

No dividends were paid during the financial year and no dividend is proposed to be paid as at the end of the financial year, 31 December 2018.

Note 9 Cash and cash equivalents

	31 December	
	2018	2017
	\$	\$
Cash in hand	42	28
Cash at bank	13,458	30,828
Short-term deposits	70,038	369,436
	<u>83,538</u>	<u>400,292</u>

Note 10 Receivables-current

	31 December	
	2018	2017
	\$	\$
GST input credits	5,739	3,928
Amount due from sale of tenements	-	22,692
	<u>5,739</u>	<u>26,620</u>

Receivables are non-interest bearing and are generally on 30 to 90 day terms.

Note 11 Other current assets

	31 December	
	2018	2017
	\$	\$
Bonds	<u>2,842</u>	<u>2,778</u>

Note 12 Exploration and evaluation

	31 December	
	2018	2017
	\$	\$
At start of financial year	2,880,650	2,795,468
Additions	89,617	85,182
Impairment	-	-
At end of financial year	<u>2,970,267</u>	<u>2,880,650</u>

The carrying value of exploration and evaluation expenditure at balance date is represented by the following projects:

Ambodilafa	1,380,354	1,367,368
Bekisopa	636,546	596,979
Tratramarina	953,367	916,303
	<u>2,970,267</u>	<u>2,880,650</u>

With the significant deterioration in the acquisition costs for iron ore projects, the Company has in previous years impaired the carrying value of the acquisition costs of the Tratramarina project as well as the acquisition costs of the Ambodilafa project. In addition, the Company reviewed the carrying of exploration and evaluation expenditures capitalised given these projects are upgradeable iron ore projects. The Company believes these projects have a number of advantages over other upgradeable projects – grade, mass recoveries, grind size, bond index power requirements and proximity to the coast (east coast of Madagascar) – 47 kilometres for Ambodilafa and 16 kilometres for Tratramarina.

Ambodilafa Farm-in Agreement

On 22 August 2012, the Company entered into a Farm-in Agreement with Jubilee Platinum plc which entitled the Company to earn a 90% interest in commodities other than platinum group elements, London Metal exchange traded metals and chrome.

Under the Farm-in Agreement, the Company will earn its interest in the commodities in three stages:

- Stage 1 US\$1.0 million expenditure	51%
- Stage 2 US\$1.0 million expenditure	81% (cumulative)
Stage 3 US\$1.0 million expenditure	90% (cumulative)

The Company is required to give notice to Jubilee each time it has expended US\$1.0 million under the Farm-in Agreement. Jubilee has 30 days from the date of notice to inform the Company whether it wishes to take the unearned interest available to it through jointly funding all future work programmes. If Jubilee does not elect to take the unearned interest, the Company has automatic rights to move the next stage and earn additional interest in the commodities. Under the Farm-in Agreement the Company will have sole and exclusive rights to explore the Ambodilafa tenements in each stage.

Where the Company has earned a 90% interest in the commodities and Jubilee does not elect to take up the unearned interest, the Company has a right to buy-out the unearned interest for \$1.5 million through either shares or cash or a royalty or a combination of these methods.

As at balance date, 31 December 2018 the Company had earned an 90% equity interest in the Ambodilafa tenements. The Company has advised Jubilee that it would elect to buy-out the residual interest by way of a royalty.

Bekisopa Share Sale and Purchase Agreement

On 16 June 2014, the Company acquired Iron Ore Corporation of Madagascar sarl pursuant to a Share Sale and Purchase Agreement and the simultaneous execution of a Shareholders Agreement with Cline Mining Corporation. Under the terms and conditions of the Share Sale and Purchase Agreement, the Company paid Cline US\$25,000 (the "First Instalment") on execution of the above-mentioned agreement and agreed to pay, on 17 June 2018, a further US\$175,000 (the "Second Instalment"). In addition, the Company agreed to pay outstanding annual administration fee (*frais d'administration annuel*) to the Bureau of Cadastre Mines of Madagascar (*Bureau du Cadastre Minier de Madagascar or BCMM*) as well as settling outstanding liabilities in Madagascar.

The value of the Group's exploration and evaluation expenditure is dependent on the ability of the Company to obtain further funding to enable it to:

- continue exploration in the areas of interest;
- meet tenement renewal payments to continue to satisfy rights to tenure; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively by their sale.

On 27 October 2016, the Company renegotiated its obligations to Cline through an extension to the payment of the Second Instalment due under the Share Sale and Purchase Agreement. The Second Instalment was extended to 17 June 2018 with an option for the Company to extend the payment date a further 6 months to 17 December 2018.

The Company has agreed to issue Cline US\$50,000 in fully paid ordinary shares on listing of the Company on an exchange and, if the Company exercises its option to extend payment of the Second Instalment by a further 6 months, US\$25,000 in fully paid ordinary shares based on the 30-day volume-weighted average price immediately prior to 17 June 2018.

In October 2017, the Ministry of Mines lifted the moratorium on the renewal, transfer and transformation of existing tenements; however, the progress in addressing the backlog has been slow. Malagasy counsel for the Company has concluded that the renewal and transformation applications submitted to the BCMM for permits held by the Company and confirmed that in each case the application was made in a form, which was acceptable to the BCMM and is deemed to hold beneficial title to these tenements. Accordingly, Malagasy counsel see no evidence, which would suggest that the Ministry of Mines would withhold its approval in respect of the renewal of the permits concerned and at this point in time the company has access to these tenements.

The Company deferred the payment of the 2019/2010 administration fees for a number of tenements associated with the Ambodilafa and Tratramarina projects. The Bureau du Cadastre Miner de Madagascar advised tenement holders that it would not cancel any tenements that renewal fees became in arrears as a result of the failure of the government to grant, renew or transform tenements. The decision by the Company was consistent with other miners and explorers who have demanded the government address the shortcomings of previous administrations.

The Company has sighted BCMM approved renewals and transformation of its tenements. The documents are now awaiting ministerial seal which is expected during the course of 2019. On receipt of renewals the Company will pay the BCMM approximately A\$70,000 in administration fees plus penalties.

Note 13

Payables-current

	31 December	
	2018	2017
	\$	\$
Trade payables	231,686	223,465

Trade payables are non-interest bearing and are normally settled on 30 day terms. Other payables are also non-interest bearing and have an average term of 30 days.

Due to the short-term nature of these payables, the carrying amounts recorded in the financial statements for trade payables and other payables are the fair values.

Note 14

Provisions-current

	31 December	
	2018	2017
	\$	\$
Annual leave	21,293	18,561

Note 15 **Borrowings and other liabilities**

	31 December	
	2018	2017
	\$	\$
PG Bibby	-	45,115
Baker Steel Resources Trust	240,000	240,000
Jubilee Metals Group plc	-	20,456
JM Madden	-	7,500
Subscribers to abandoned LSE listing	-	40,000
	240,000	353,071

Pursuant to a Convertible Note instrument, Baker Steel Resources trust provided the Company with A\$200,000 for working capital in July 2017 with associated borrowing costs of \$40,000. The loan instrument is convertible, on shareholder approval, into fully paid ordinary shares of 1 cent per share. The repayment date set out in the agreement was 31 October 2017, however; the company has been advised by Baker Steel that it will seek to convert the loan instrument into equity provided its equity interest does not exceed 20%.

Amounts due to Mr PG Bibby were settled by way of cash refund of \$40,000 and \$5,000 in fully paid ordinary shares at 1.74 cents per share on 12 January 2018.

The amount due to Jubilee Metals Group plc was extinguished by way of the issue of fully paid ordinary shares at 1.74 cents per share on 5 April 2018.

Amounts due to Mr JM Madden were extinguished by way of the issue of fully paid ordinary shares at 1.74 cents per share on 12 January 2018.

Note 16 **Deferred consideration**
Current

	31 December	
	2018	2017
	\$	\$
Cline Mining Corporation	407,340	320,514

On 16 June 2014, the Company acquired Iron Ore Corporation of Madagascar sarl pursuant to a Share Sale and Purchase Agreement and the simultaneous execution of a Shareholders Agreement with Cline Mining Corporation. Under the terms and conditions of the Share Sale and Purchase Agreement, the Company paid Cline US\$25,000 on execution of the above-mentioned agreement and agreed to pay, on 17 June 2018, a further US\$175,000.

The Company has accounted for the amount due to Cline on a net present value basis using a discount rate of 4% and adjusting the US dollar amount for exchange fluctuation.

On 27 October 2017, the Company renegotiated its obligations to Cline through an extension to the payment of the Second Instalment due under the Share Sale and Purchase Agreement. The Second Instalment was extended to 17 June 2018 with an option for the Company to extend the payment date a further 6 months to 17 December 2018.

The Company has agreed to issue Cline US\$50,000 in fully paid ordinary shares on listing of the Company on an exchange and, if the Company exercises its option to extend payment of the Second Instalment by a further 6 months, US\$25,000 in fully paid ordinary shares based on the 30-day volume-weighted average price immediately prior to 17 June 2018.

The Company and Cline entered into a further extension to the settlement of the Second Instalment due under the Share Sale and Purchase agreement on 12 December 2018 for a period of 12 months for US\$37,500 in fully paid ordinary shares based on the 30-day volume-weighted average price immediately prior to 12 December 2019.

Note 17

Contributed equity

	Number	\$
At 31 December 2016	155,072,538	15,334,474
Issue of shares		
Directors in lieu of emoluments	1,800,000	90,000
Westridge Equity raising Initiative	9,000,000	90,000
Payment of creditors by director	1,000,000	25,000
Working capital raising	22,423,041	390,161
	34,223,041	595,161
At 31 December 2017	189,295,579	15,929,635
Issue of shares		
Reimbursement of directors for out-of-pocket expenses	712,644	12,400
Settlement of amount due to Jubilee Metals Group plc for Ambodilafa costs	1,175,632	20,456
Share issues	500,000	8,700
	2,388,276	41,556
At 31 December 2018	191,683,855	15,971,191

Ordinary shares

Ordinary shares have the rights to receive dividends as declared and, in the event of winding up, participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, the shares held.

Each fully paid ordinary share carries one vote.

Ordinary shares issued to shareholders since incorporation have had no par value.

Options over ordinary shares

There are no options over ordinary shares on issue.

Performance shares

At the general meeting of shareholders on the 23 January 2017, non-executive directors of the Company were awarded 42,063,333 performance shares on the completion of a minimum of \$2.5 million equity raising after costs. The milestone was not achieved by

balance date, 31 December 2018, and remains contingent on the achieve of this equity raising objective.

Although the performance shares satisfy the requirements of AASB 2 Share-based Payments and accordingly, accounted for on a fair value basis, the conditionality of the performance remains outstanding as the non-executive directors have not raised sufficient funds to advance to be rewarded and as a result, the fair value of the performance shares were nil.

Note 18 Translation reserve

	31 December	
	2018	2017
	\$	\$
Opening balance	(177,653)	(64,063)
Translation of foreign currency financial statements into the functional currency	67,165	(127,667)
Transfer of exchange fluctuation for previous years from accumulated losses	-	14,077
Closing balance	(110,488)	(177,653)

Note 19 Accumulated losses

	31 December	
	2018	2017
	\$	\$
Balance at start of the financial period	(13,437,665)	(12,506,350)
Net loss for the year	(350,788)	(917,238)
Transfer of exchange fluctuation for previous years to translation reserve	-	(14,077)
	(13,788,453)	(13,437,665)

Note 20 List of controlled entities

The financial statements include the financial statements of the parent entity and the controlled entities listed in the following table:

Name	Country of Incorporation	% equity interest	
		2018	2017
Malagasy Holdings (Bekisopa) Pty Limited	Australia	100	100
- Iron Ore Corporation of Malagasy sarl	Madagascar	75	75
Malagasy Holdings (Tratramarina) Pty Limited	Australia	100	100
- Universal Exploration Madagascar sarl	Madagascar	100	100

Note 21

Commitments

Exploration and evaluation expenditure commitments

Under 99-022 Mining Code (*portant Code minier*), the Group does not have any expenditure commitments on its tenements other than the annual renewal fees (*frais annuel d'administration*) which are payable to the Madagascar Mining Cadastre Bureau (*Bureau du Cadastre Minier de Madagascar*).

The annual renewal fees for Ambodilafa tenements, held by Mineral Resources of Madagascar sarl, an entity controlled by Jubilee Platinum plc, are approximately \$10,000 for the 2019-2020 renewal period. Mineral Resources of Madagascar sarl is the entity through which the Company earns its equity interest in the Ambodilafa tenements

The Company deferred the payment of the 2019/2010 administration fees for a number of tenements associated with the Ambodilafa and Tratramarina projects. The Bureau du Cadastre Minier de Madagascar advised tenement holders that it would not cancel any tenements that renewal fees became in arrears as a result of the failure of the government to grant, renew or transform tenements. The decision by the Company was consistent with other miners and explorers who have demanded the government address the shortcomings of previous administrations.

The Company has sighted BCMM approved renewals and transformation of its tenements. The documents are now awaiting ministerial seal which is expected during the course of 2019. On receipt of renewals the Company will pay the BCMM approximately A\$70,000 in administration fees plus penalties.

Note 22

Financial obligations of the Company and its controlled entity Universal Exploration Madagascar sarl

The Company

Ambodilafa tenements

On 22 August 2012, the Company entered into a Farm-in Agreement with Jubilee Platinum plc which entitled the Company to earn a 90% interest in commodities other than platinum group elements, London Metal exchange traded metals and chrome.

Under the Farm-in Agreement, the Company will earn its interest in the commodities in three stages:

- Stage 1 US\$1.0 million expenditure	51%
- Stage 2 US\$1.0 million expenditure	81% (cumulative)
Stage 3 US\$1.0 million expenditure	90% (cumulative)

The Company is required to give notice to Jubilee each time it has expended US\$1.0 million under the Farm-in Agreement. Jubilee has 30 days from the date of notice to inform the Company whether it wishes to take the unearned interest available to it through jointly funding all future work programmes. If Jubilee does not elect to take the unearned interest, the Company has automatic rights to move the next stage and earn additional interest in the commodities. Under the Farm-in Agreement the Company will have sole and exclusive rights to explore the Ambodilafa tenements in each stage.

Where the Company has earned a 90% interest in the commodities and Jubilee does not elect to take up the unearned interest, the Company has a right to buy-out the unearned interest for \$1.5 million through either shares or cash or a royalty or a combination of these methods.

As at balance date, 31 December 2018 the Company had earned an 90% equity interest in the Ambodilafa tenements. The Company has advised Jubilee that it would elect to buy-out the residual interest by way of a royalty.

Bekisopa tenements

On 16 June 2014, the Company acquired Iron Ore Corporation of Madagascar sarl pursuant to a Share Sale and Purchase Agreement and the simultaneous execution of a Shareholders Agreement with Cline Mining Corporation. Under the terms and conditions of the Share Sale and Purchase Agreement, the Company paid Cline US\$25,000 on execution of the above-mentioned agreement and agreed to pay, on 17 June 2018, a further US\$175,000. In addition, the Company agreed to pay outstanding annual administration fee (*frais d'administration annuel*) to the Bureau of Cadastre Mines of Madagascar (*Bureau du Cadastre Minier de Madagascar or BCMM*) as well as settling outstanding liabilities in Madagascar.

On 27 October 2016, the Company renegotiated its obligations due to Cline Mining Corporation for the Bekisopa DSO project. Under the revised terms the Company has move its outstanding obligations from June 2017 to June 2018 on the issue of US\$50,000 in shares in the Company on its listing and an option to extend the outstanding obligation to December 2018 for a further US\$25,000 in shares.

Universal Exploration Madagascar sarl

On 23 June 2011, Universal Exploration Madagascar sarl (UEM) acquired two Reserved Licences for Small Mining Developers (*du Permis Reserve Aux Petits Exploitants ou Permis*) prospective for magnetite (the Tratramarina West tenements) by paying US\$200,000 and agreeing to pay, on the election of UEM, US\$250,000 (First Option) and US\$350,000 (Second Option) in 2012 and 2013, respectively, if UEM sarl elects to continue to explore and expend monies on the permits. In addition, if Universal Exploration Madagascar sarl undertakes a Mine Development that incorporates magnetite ore sourced from the Tratramarina West tenements, a royalty of 0.35% will be paid on the net sales revenue generated on magnetite concentrate produced from the Tratramarina West prospects. The Tratramarina West tenements are adjacent to the Tratramarina East.

The parent entity exercised the First Option during the course of the financial year and exercised the Second Option on 26 February 2013.

Following the exercise of the Second Option, the outstanding obligation of UEM under the Mining Permit Sale Agreement is a royalty equal to 0.35% of net sales revenue.

Note 23

Events after balance date

On 27 May 2019, the company entered into a short-term financing arrangement with Baker Steel Resources Trust Limited for \$100,000 (face value \$120,000) for assisting with fundraising activities in North America and Europe.

The Company deferred the payment of the 2019/2010 administration fees for a number of tenements associated with the Ambodilafa and Tratramarina projects. The Bureau du Cadaste Miner de Madagascar advised tenement holders that it would not cancel any tenements that renewal fees became in arrears as a result of the failure of the government to grant, renew or transform tenements. The decision by the Company was consistent with other miners and explorers who have demanded the government address the shortcomings of previous administrations.

Note 24

Related party disclosures

Directors

The directors of the parent entity during the financial period were:

PG Bibby
MA Burrige (resigned 5 May 2019)
SL Fabian
JM Madden
DL Wu

Mr MA Burrige is Managing Partner for Baker Steel Capital Managers. One of the funds run by Baker Steel is the Baker Steel Resources Trust and during the course of the financial year ended 31 December 2017 the Group received a convertible note facility from Baker Steel Resources Trust of A\$200,000 with an accompanying borrowing fee of A\$40,000. At that time, Mr MA Burrige did not participate in the Investment Committee or sit on the board of directors of Baker Steel Resources Trust.

Note 25

Cash flow statement reconciliation

	31 December	
	2018	2017
	\$	\$
Net loss after tax	(334,222)	(881,025)
<i>Adjusted for:</i>		
Exchange fluctuation	85,704	(94,834)
Finance costs	-	44,359
Deferment of settlement terms for acquisition of Ore Corporation of Madagascar sarl costs	53,131	96,154
Proceeds from sale of tenements	(6,017)	-
Provisions	2,732	(1,682)
Share-based payments		115,000
<i>Changes in other current assets and current liabilities:</i>		
Current assets		
Receivables	(1,812)	3,859
Other	22,628	(22,597)
Current liabilities		
Payables	(71,993)	162,981
	(249,849)	(577,785)

Note 26

Key management personnel

Details of key management personnel

Chief Financial Officer
and parent entity Company Secretary
JM Madden
Non-executive directors
PG Bibby
MA Burrige (resigned 5 May 2019)
SL Fabian
DL Wu

Compensation of key management personnel

Compensation paid to key management personnel is as follows:

	31 December	
	2018	2017
	\$	\$
Short-term employee benefits	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
	-	-

The directors have forgone emoluments from 1 January 2017 and until such time as the Group has a significantly improved cash position to fund exploration and evaluation.

Note 27

Parent entity

The following table sets out selective financial information relating to Indian Pacific Resources Limited the parent entity of the Group:

	31 December	
	2018	2017
	\$	\$
Current assets	79,093	412,484
Exploration and evaluation	2,115,311	2,180,104
Total assets	2,194,404	2,592,588
Current liabilities	873,557	333,262
Non-current liabilities	-	560,514
Total liabilities	873,557	893,776
Net assets	1,320,847	1,698,812
Issued and paid-up capital	15,971,191	15,929,635
Accumulated losses	(14,650,344)	(14,230,823)
Profit (loss) after tax for the parent entity	(419,521)	(832,424)
Total comprehensive profit (loss) for the parent entity	(419,521)	(832,424)

Note 28

Auditor's remuneration

	31 December	
	2018	2017
	\$	\$
Amounts paid or due for payable to Bentley's		
Audit or review of the financial report	15,000	15,000
- amounts relating to previous year	-	-
Other services	-	-
	15,000	15,000

Note 29

Contingent liabilities

The Company has no contingent liabilities.

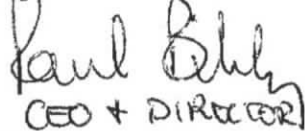
DIRECTORS' DECLARATION

In accordance with a resolution of the board of directors of Indian Pacific Resources Limited, I state that:

In the opinion of the board of directors:

- (a) financial statements, the accompanying notes to the financial statements and the additional disclosures set out in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2018 and of their performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board, as disclosed in Note 2(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed on behalf of the Board of Directors


CEO + DIRECTOR

For DL Wu
Chairman
31 May 2019

Independent Auditor's Report

To the Members of Indian Pacific Resources Limited

Opinion

We have audited the financial report of Indian Pacific Resources Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other 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:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity 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.

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Independent Auditor's Report

To the Members of Indian Pacific Resources Limited (Continued)



Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial report which indicates that the Consolidated Entity incurred a net loss of \$334,222 during the year ended 31 December 2018. As stated in Note 2(a), these events or conditions, along with other matters as set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 31 December 2018, 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with *International Financial Reporting Standards*.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

Independent Auditor's Report

To the Members of Indian Pacific Resources Limited (Continued)



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 Consolidated Entity'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 Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- ✧ 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 Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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.

Independent Auditor's Report

To the Members of Indian Pacific Resources Limited (Continued)



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.

A handwritten signature of the firm Bentleys in a cursive script.

BENTLEYS
Chartered Accountants

A handwritten signature of Doug Bell in a cursive script.

DOUG BELL CA
Partner

Dated at Perth this 31st day of May 2019