SOUTH PACIFIC RESOURCES LTD

ABN 30 073 099 171

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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CORPORATE DIRECTORY

Directors
Mr Domenic Martino
Mr Yosse Goldberg
Mr Alvin Tan

Company Secretary
Ms Louisa Martino

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Stock Exchange Listing
Home Exchange-Perth, Australia

ASX Code-SPB

Australian Company Number and Australian Business Number
ACN 073 099 171
ABN 30 073 099 171

DIRECTORS' REPORT

Your Directors submit their report for South Pacific Resources Ltd (the "Company") and its controlled entities (the "Group"), for the half-year ended 31 December 2016 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Directors

The names of Directors of the Company in office at any time during the half-year and up to the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Domenic Martino (Managing Director)
Joseph (Yosse) Goldberg (Non-Executive Director)
Alvin Tan (Non-Executive Director)

Review and Results of Operations

The operating loss after income tax of the Group for the half-year ended 31 December 2016 was $661,052 (31 December 2015 loss: $417,833).

The Group has made losses during the six-month period under review. The Group continues to focus on building capacity to advance the significant conventional and unconventional portfolio held in Papua New Guinea. During the half year the Group entered in to an agreement with Tamarind Management to enhance technical and commercial capacity enabling the Group to invest additional efforts in better understanding the conventional, unconventional and business development opportunities in Papua New Guinea while exploring appropriate expansion into neighbouring jurisdictions where the Group's unique skills and experience will enable a competitive advantage.

During the half-year significant meetings with potential investors and partners were held in Australia, Singapore and China/Hong Kong to ensure that the Group has continued access to the capital required to advance its portfolio.

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

Building on the Group's extensive database of technical data across the blocks, Tamarind and the Group have begun a thorough review of the blocks, their potential and the cost of carrying these blocks forward into further exploration activities. The Group expects to receive Tamarind's assessment of the potential on the blocks which will then assist the Group in high-grading the conventional licences to focus on those blocks with the most potential and finalise matters with the Government of PNG to re-confirm the Group's interest in these licences.

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

The Group has applied for 75% interests in five unconventional licences covering 75,000 km sq coincidental with all of the major conventional oil basins in PNG. The proposed licence areas have all been reserved by the Department of Petroleum and Energy. Upon completion of the regulations and final license gazettal and the subsequent awarding of the licences, the Group will be able to progress the further appraisal on these licences. During Q4 of 2016, engagement with the conventional oil and gas players in these basins continued with a view to cooperate with them on the appraisal programs.

Significant Changes in the State of Affairs

There have been no significant changes in the Company's state of affairs during the half-year ended 31 December 2016.

Significant Events after Balance Date

There are no significant events after balance date.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* in relation to the review for the half year is provided with this report.

Signed in accordance with a resolution of the Directors

Domenic Martino
Managing Director

Sydney, New South Wales
Date: 15 March 2017

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of South Pacific Resources Ltd, I state that:

In the opinion of the Directors:

a) the consolidated financial statements and notes of South Pacific Resources Ltd and its controlled entities (the "Group") are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the financial position of the Group as at 31 December 2016 and the performance for the half-year then ended on that date; and

- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory professional reporting requirements.

b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Domenic Martino
Managing Director

Sydney, New South Wales
Date: 15 March 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31-Dec-16 $	31-Dec-15 $
Revenue from continuing operations			
Revenue		-	-
Other income			
Interest received		-	1
Total Revenue		-	1
Expenses			
Consultancy and other professional fees		(144,910)	(89,718)
Travel and accommodation expenses		(60,636)	(19,239)
Legal expenses		(1,047)	-
Directors' fees		(96,000)	(138,000)
ASIC and ASX fees		(15,451)	(27,273)
IT services		(2,396)	(842)
Office rental		(55,607)	(34,046)
Impairment provision against exploration expenditure		(265,334)	(69,152)
Other expenses	3	(19,671)	(39,563)
Loss from ordinary activities before income tax expense		(661,052)	(417,833)
Income tax expense relating to ordinary activities		-	-
Loss for the period from continuing operations		(661,052)	(417,833)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		23,808	30,648
Other comprehensive income for the period, net of income tax		23,808	30,648
Total comprehensive loss attributable to the owners of the parent		(637,244)	(387,185)
Earnings per share for loss from continuing operations attributable to equity holders of the parent entity			
Basic loss per share (cents per share)		(0.42)	(0.31)
Diluted loss per share (cents per share)		(0.42)	(0.31)

The Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	31-Dec-16 $	30-Jun-16 $
Current Assets			
Cash and cash equivalents		15,058	9,325
Trade and other receivables		78,193	68,780
Total Current Assets		93,251	78,105
Non-Current Assets			
Office equipment		3,891	-
Exploration assets	4	-	-
Total Non-Current Assets		3,891	-
Total Assets		97,142	78,105
Current Liabilities			
Trade and other payables		1,102,900	2,070,106
Borrowings		500	64,000
Total Current Liabilities		1,103,400	2,134,106
Total Liabilities			
Net Liabilities		(1,006,258)	(2,056,001)
Equity			
Issued capital	5	6,772,844	5,139,069
Share based payment reserve	6	242,245	141,417
Foreign currency translation reserve		98,461	122,269
Accumulated losses		(8,119,808)	(7,458,756)
Total Equity		(1,006,258)	(2,056,001)

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Ordinary Shares $	Option Reserve $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Attributable to Members $
Balance at 1 July 2016	5,139,069	-	141,417	122,269	(7,458,756)	(2,056,001)
Comprehensive expenses for the period:						
Foreign exchange movement	-	-	-	(23,808)	-	(23,808)
Loss for the period	-	-	-	-	(661,052)	(661,052)
Total comprehensive loss for the period	-	-	-	(23,808)	(661,052)	(684,860)
Transactions with owners in their capacity as owners:						
Issued capital						
Issue of 18,700,000 shares with 9,350,000 unlisted options at an issue price of $0.06 per share (net of costs)	1,035,687	-	-	-	-	1,035,687
Issue of 6,582,545 shares at an issue price of $0.10 in payment of creditors outstanding	658,253	-	-	-	-	658,253
Issue of 5,500,000 unlisted options as placement and corporate advisor fee	(60,165)	-	60,165	-	-	-
Issue of 20,000,000 unlisted options as consulting fee	-	-	40,663	-	-	40,663
Balance at 31 December 2016	6,772,844	-	242,245	98,461	(8,119,808)	(1,006,258)
Balance at 1 July 2015	4,986,607	55,606	-	175,106	(6,313,435)	(1,096,116)
Comprehensive expenses for the period:						
Foreign exchange movement	-	-	-	(30,648)	-	(30,648)
Loss for the period	-	-	-	-	(417,833)	(417,833)
Total comprehensive loss for the period	-	-	-	(30,648)	(417,833)	(448,481)
Transactions with owners in their capacity as owners:						
Issued capital						
Issue of 2,200,000 shares with 1,100,000 unlisted options at an issue price of $0.05 per share (net of costs)	108,180	-	-	-	-	108,180
Issue of 3,100,000 unlisted options as placement and corporate advisor fee	(85,811)	-	85,811	-	-	-
Balance at 31 December 2015	5,008,976	55,606	85,811	144,458	(6,731,268)	(1,436,417)

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31-Dec-2016	31-Dec-2015
	$	$
Cash flows from operating activities		
Cash paid to suppliers and employees	(486,558)	(94,769)
Interest received	-	1
Net cash used in operating activities	(486,558)	(94,768)
Cash flows from investing activities		
Exploration assets	(476,005)	(45,000)
Acquisition of subsidiaries	-	(6,648)
Purchase of office equipment	(3,891)	-
Net cash from/(used in) investing activities	(479,896)	(51,648)
Cash flows from financing activities		
Proceeds from issue of shares	1,122,000	110,000
Share capital costs	(86,313)	(1,820)
Repayment of borrowings to related party	(63,500)	-
Net cash from financing activities	972,187	108,180
Net increase/(decrease) in cash and cash equivalents	5,733	(38,236)
Cash and cash equivalents at beginning of the period	9,325	45,836
Cash and cash equivalents at end of the period	15,058	7,600

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES

South Pacific Resources Limited (the "Company") is listed on the Australian Securities Exchange.

The interim condensed consolidated financial report of the Group for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors on 15 March 2017.

a) Statement of compliance

The interim condensed consolidated financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report together with any public announcements made by the Company during the half year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

b) Basis of preparation

The interim condensed consolidated financial statements have been prepared on the basis of historic costs, except for the financial assets for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars, unless otherwise noted.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods.

c) Accounting standards issued but not yet effective

The AASB has issued new standards, amendments and interpretations to existing standards which have been published but are not yet effective, and have not yet been adopted early by the Group. The new standards, amendments and interpretations that may be relevant to the Group's financial statements are provided below.

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 9 *Financial Instruments* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*	1 January 2018
AASB 15 Revenue from contracts with customers AASB 15 *Revenue from Contracts with Customers*	1 January 2018

d) Basis of consolidation

A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

A list of controlled entities is contained in Note 7(a).

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the interim condensed consolidated financial report as well as their results for the period then ended. All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation.

e) Exploration, evaluation and development assets
Exploration, evaluation and development assets are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development on the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserve.

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

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

f) Comparative figures
When required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current half-year.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

h) Going concern
The interim condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the half-year ended 31 December 2016 of $661,052 (31 December 2015: loss of $417,833), and a net cash outflow from operations of $486,558 (31 December 2015: net cash outflow of $94,768). As at 31 December 2016 the Group had net current liabilities and net equity of negative $1,006,258 (30 June 2016: negative $2,056,001).

The Group's ability to continue as a going concern and pay its debts as and when they fall due is dependent upon the following:

- The Group raising additional capital via any means available to it inclusive of, but not limited to, placements, option conversions, rights issues, or joint venture arrangement in a timely manner in order to fund the ongoing exploration and operation activities;
- The Group seeking approval to delay exploration activities in certain tenements if sufficient funds are not raised;
- The Group selling certain tenements in Papua New Guinea if sufficient funds are not raised;
- The non-executive and executive Director not receiving payment for their fees if the Group is not in a position to pay these fees;
- The accounting, company secretarial and office rental fees will not be paid if the Group is not in a position to pay these fees;
- A letter of support from a director to ensure that Company has adequate working capital for at least 12 months from the date of this report.

The Directors have reviewed the business outlook and cash flow forecasts after taking into account the above matters and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Group will achieve the matters set out above and be able to pay its debts as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

2. SEGMENT INFORMATION

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

The Group engages in one business segment, being exploration and development of oil and gas licences, activities from which it incurs costs. Consequently the results of the Group are analysed as a whole by the chief operating decision maker.

3. INCOME AND EXPENSES

	31-Dec-16	31-Dec-15
	$	$
Other expenses		
Bank charges	1,446	347
Exchange difference	(22,804)	-
Insurance	13,620	7,461
Share registry services	8,437	6,836
Write-off Goodwill on acquisition	-	6,504
Other expenses	18,972	18,415
Total other expenses	19,671	39,563

4. EXPLORATION ASSETS

	31-Dec-16	30-Jun-16
	$	$
Capitalised exploration expenditure	-	-

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

Movement in carrying values		
Capitalised exploration expenditure		
Carrying value at the beginning of the period	-	-
Additions	265,334	96,443
Impairment provision recorded against exploration expenditure	(265,334)	(96,443)
Carrying value at end of period	-	-

Refer to Note 1(g) for significant judgements and estimates made in relation to the recoverability of capitalised exploration costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

5. ISSUED CAPITAL

	31-Dec-16 No	31-Dec-16 $
Balance as at 1 July 2016	139,232,766	5,139,069
Issue of 18,700,000 shares with 9,350,000 unlisted options at an issue price of $0.06 per share	18,700,000	1,122,000
Issue of 6,582,545 shares at an issue price of $0.10 per share	6,582,545	658,253
Issue of 5,500,000 unlisted options as placement and advisory fee in respect of capital raising	-	(60,165)
Capital raising costs	-	(86,313)
Issued capital	164,515,311	6,772,844

6. SHARE BASED PAYMENTS

	31-Dec-16 $	30-June-16 $
(a) **Recognised share based payment expenses**		
Opening balance	141,417	-
Expense arising from equity settled share-based payment transactions as costs of equity raising	60,165	85,811
Expense recognised for consulting services (expensed as part of impairment to exploration expenditure)	40,663	55,606
Share based payments	242,245	141,417
Being:		
Fair value of issue of options as placement and corporate adviser fees	-	85,811
Fair value of issue of options as placement and corporate adviser fees (Note i)	60,165	-
Booked as cost of equity	60,165	85,811
Fair value of issue of options as consultancy fees	-	55,606
Fair value of issue of options as consultancy fees (Note ii)	40,663	-
Recognised as an expense - Impairment to exploration expenditure	40,663	55,606

Notes:
(i) In August 2016, the Company issued 5,500,000 unlisted options exercisable at $0.12 and with an expiry date of 3 August 2017 as broker and corporate advisory fees in respect of the placement.

The fair value of each option when granted was determined as $0.01094 per option. These values were calculated using an option pricing model applying the following inputs:

Share Price:	$0.04
Exercise Price:	$0.12
Expected share price volatility:	141.88%
Vesting date:	3 August 2016
Expiry date:	3 August 2017
Risk-free interest rate:	2.98%
Dividends:	0%

(ii) In November 2016, the Company issued 20,000,000 unlisted options with various terms and conditions to a consultant as payment for services provided. The options were issued and valued with the following terms and conditions:

Vesting Date	Probability of Vesting	No. of Options	Expiry date (from vesting)	Exercise Price	Expected share price volatility	Value per option
Upon achieving a 20 day VWAP of $0.10	50%	2,500,000	12 months	$0.08	142.62%	$0.01465
Upon achieving a 20 day VWAP of $0.15	50%	2,500,000	12 months	$0.08	142.62%	$0.01465
Upon execution of the first monetisation deal (strategic alliance, joint venture, farm-in)	25%	5,000,000	18 months	$0.10	151.52%	$0.02331
Upon execution of the second monetisation deal (strategic alliance, joint venture, farm-in)	25%	5,000,000	24 months	$0.12	165.86%	$0.02867
Upon consultant being engaged for a period of 2 years, unless terminated by the company in which case the options vest immediately	100%	5,000,000	36 months	$0.15	250.60%	$0.03591
		20,000,000				

The options have been valued using an option pricing model and have been given a total market value of $281,134.15, of which $40,664.81 has been booked as an impairment to exploration expenditure. For the period ended 31 December 2016. Assuming the vesting conditions are met, a further $40,664.81 will be booked to exploration expenditure in FY2018, $69,711.10 FY2019, $59,029.45 FY2020, $50,705.96 FY2021, $43,074.93 FY2022 and $17,947.89 FY2023. The following inputs were used for each option class:

Share Price:	$0.040
Exercise Price:	As above
Expected share price volatility:	As above
Vesting date:	As above
Expiry date:	As above
Risk-free interest rate:	2.98%
Dividends:	0%

(b) Options issued as Share Based Payments
Options issued under share based payment arrangements entered into, or existing during the periods ended 31 December 2016 and 30 June 2016 are set out below:

	December 2016		June 2016	
	Number of Options	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
Outstanding at the beginning of the period	10,600,000	$0.068	7,500,000	$0.075
Granted during the period	25,500,000	$0.114	3,100,000	$0.050
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Exercised during the period	-	-	-	-
Closing balance	36,100,000	$0.101	10,600,000	$0.068
Exercisable at the end or the period	36,100,000	$0.101	10,600,000	$0.068

7. RELATED PARTY DISCLOSURE

(a) Subsidiaries
The interim condensed consolidated financial report includes the financial information of South Pacific Resources Ltd and the subsidiaries listed in the following table:

	Country of incorporation and operation	**Principal activity**	**Equity interest**		**Investment**	
			31/12/2016 %	30/6/2016 %	31/12/2016 $	30/6/2016 $
Indo Pacific Energy Pty Ltd	Australia	Holding company	100	100	2,076,827	2,076,827
Coral Sea Petroleum (PNG) Ltd	Papua New Guinea	Oil and gas exploration	100	100	1	1
Pacific Shale Gas Ltd	Papua New Guinea	Oil and gas exploration	100	100	6,600	6,600
South Pacific Resources Ltd	Papua New Guinea	Oil and gas exploration	100	100	48	48

(b) Related party transactions

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

Mr Martino receives $10,000 per month plus superannuation. For the half-year ended 31 December 2016, director fees paid and payable to Mr Martino totaled $60,000 (31 December 2015: $60,000). During the period, Mr Martino converted $310,000 of director fees owing to shares in the Company.

Mr Goldberg receives $3,000 per month. For the half-year ended 31 December 2016, director fees paid and payable to Mr Goldberg totaled $18,000 (31 December 2015: $60,000). During the period, Mr Goldberg converted $325,454 of director fees owing to shares in the Company.

Mr Tan receives $3,000 per month. For the half-year ended 31 December 2016 fees paid and payable to Mr Tan is $18,000 (31 December 2015: $18,000).

Transaction Services Pty Ltd, a related party of Mr. Martino, provided company secretarial, accounting, office rental and administration services to the Company up to 30 September 2016. From October 2016, Transaction Services Pty Ltd provided office rental and office supplies (refer note 10). Transaction Services Pty Ltd has been paid $230,592.60 (excluding GST) for half year to 31 December 2016 (31 December 2015: $51,239).

From 1 October 2016, Indian Ocean Corporate Pty Ltd was a related party of Mr Martino, providing company secretarial, accounting and administration services to the Company. Indian Ocean Corporate Pty Ltd has been paid $10,000 (excluding GST) for the half year to 31 December 2016 (31 December 2015: nil).

During the half year to 31 December 2016, the Company repaid its loan of $63,500 (31 December 2015: Nil) owing to Impact Nominees Pty Ltd, a company related to Mr. Domenic Martino. The loan was interest free.

8. DIVIDENDS PAID

No dividends were paid or provided during the half-year ended 31 December 2016.

9. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after balance sheet date.

10. COMMITMENTS AND CONTINGENCIES

The Group's commitments in respect of its oil and gas licences as at 31 December 2016 were as follows:

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

It should be noted that the Company has not met commitments to November 2016 but applied for variations to the licences. In July 2014 and again on 18 March 2016, CSP (PNG) applied for variations to its licences, essentially reducing the licence commitments to USD 150,000 for each licence except in respect of PPL 358 for which a reduction to USD 200,000 has been requested. The Group awaits correspondence from the Papua New Guinean Department of Petroleum and Energy in this regard. An impairment provision has been raised in the Group accounts as a result of the uncertainty surrounding the veracity of the exploration licences held by CSP (PNG) and their commitments.

Should the variations be granted, commitments may change as noted above or as a result of work carried out. For example, if the Company is not satisfied with exploration results, it may choose to relinquish all or part of a PPL and focus its efforts and funds on the other PPLs.

During September 2016 the Company entered into a licence agreement with Transaction Services Pty Ltd, a related party of Domenic Martino, whereby the Company will occupy its premise for five years to 31 August 2021 at a cost of $11,000 per month (excl GST), increasing at a rate of 4%p.a.

There are nil contingent liabilities for the Group as at 31 December 2016 (30 June 2016: nil).

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of South Pacific Resources Ltd and its controlled entities

In relation to the independent review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

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

(ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

Paul Mulligan

PAUL MULLIGAN
Executive Director
Perth, WA
15 March 2016

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
SOUTH PACIFIC RESOURCES LTD AND CONTROLLED ENTITIES

We have reviewed the accompanying half-year financial report of South Pacific Resources Ltd and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of South Pacific Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
SOUTH PACIFIC RESOURCES LTD AND CONTROLLED ENTITIES

Independence

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of South Pacific Resources Ltd is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1(h) in the half-year financial report, which indicates that the consolidated entity incurred a net loss attributable to owners of $661,052 for the half-year ended 31 December 2016. These conditions along with other matters set forth in Note 1(h) give rise to a material uncertainty which may cast a significant doubt about the ability of the consolidated entity to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

Paul Mulligan

PAUL MULLIGAN
Executive Director
Perth, WA
15 March 2017