GEOPACIFIC RESOURCES LIMITED

# 2018 ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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## CORPORATE DIRECTORY

**Geopacific Resources Limited**
Public listed Company (ASX Code: GPR)
incorporated in New South Wales in 1986

**Australian Business Number (ABN)**
57 003 208 393

**Directors & Secretaries in Office**

| | |
|---|---|
| Milan Jerkovic | Non-Executive Chairman |
| Ron Heeks | Managing Director |
| Mark Bojanjac | Non-Executive Director |
| Ian Clyne | Non-Executive Director |
| Colin Gilligan | Non-Executive Director appointed 26 June 2018 |
| Philippa Leggat | Executive Director - Corporate resigned 10 September 2018 |
| Matthew Smith | Company Secretary |

**Registered Office**
Level 1
278 Stirling Highway
Claremont WA 6010

**Postal Address**
PO Box 439
Claremont WA 6910

**Fiji Operations Office**
1 Cawa Street
Martintar Nadi Fiji
Tel: 679 6 727150
Fax: 679 6 727152
PO Box 9975
Nadi Airport Fiji

**Auditor**
Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000

**Banker**
ANZ Banking Group Ltd
Corner of Hay Street & Outram Street
West Perth WA 6005

**Stock Exchange**
ASX Limited
Level 4, Central Park
152-158 St Georges Terrace
Perth WA 6000
ASX Code: GPR

**Share Registry**
Boardroom Pty Ltd
Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000

Dear Shareholder,

## Geopacific had a successful 2018 year achieving significant milestones in the development of the Woodlark Gold Project.

During the year Geopacific delivered both the Pre-Feasibility Study (PFS) and Definitive Feasibility Study (DFS) for Woodlark. Results confirmed a compelling, high-margin development option underpinned by a low-cost, low-stripping ratio, open-cut operation that can deliver an average of 100Koz gold per annum.

An oversubscribed capital raise of $10 million also took place during the year with funds raised to simultaneously complete the Woodlark DFS and test the potential of the Woodlark goldfield. The regional exploration program delivered encouraging results and generated numerous targets with the potential to expand the current resource base and identify additional deposits.

Foreshadowing the New Year, we will see the company taking a step closer to a development decision. Post reporting period the Company was funded, by an oversubscribed $4.3m capital raise, to undertake further investigation of financing options and complete project financing due diligence.

We thank all shareholders for their ongoing support which has well-positioned the Company to deliver significant future benefits.

We look forward to updating shareholders on future advancements and also acknowledge the ongoing efforts of our team led by Ron Heeks.

Milan Jerkovic

**Milan Jerkovic**
Chairman

## EXPLORATION & DEVELOPMENT ACTIVITIES

### Woodlark Island, Papua New Guinea

#### Delivery of Pre-feasibility Study and Definitive Feasibility Study

Geopacific Resources Limited ("Geopacific" or "the Company") reached multiple milestones during the year with the delivery of the Woodlark Gold Project's (Woodlark) November 2018 Definitive Feasability Study (DFS)[1] and updated Reserve[2] that built on from the March 2018 Pre-feasabilty Study (PFS), Resource and Reserve.

The PFS determined that Woodlark had the characteristics required for a robust, low-cost, low-strip ratio, open pit operation delivering an average output of 100Koz Au per annum. The DFS advanced the development pathway of the Project by supporting a similar operation to the PFS but with an improved mine plan and a simplified process route.

The DFS demonstrates a 13-year gold project with a compelling development option, both from a technical and financial perspective. The Project generates A$626 million of operating cashflow (based on A$1,650 / ounce gold price assumption) and a rapid 2.2 year project payback period. Its feasibility is driven by low costs, a positive operating environment and a simple process route. Project highlights include:

- **High margin** - all-in sustaining costs (AISC) averaging A$866/oz (Yr 1-5) and A$1,033/oz Life of Mine (LOM) due to shallow pits, low waste to ore ratio, flat terrain and outcropping soft ore.
- **Strong cash flow** – upfront operating cash flow generates rapid 2.2 year payback period.
- **Robust production profile** – simple process route with gold production averaging 100Koz per annum (Yr 1-5), 967Koz (LOM) (incl. 41.koz Au Inferred).
- **+1Moz** – Reserve 28.9Mt @ 1.12g/t Au for 1,037,600oz of gold.[2]
  Resource 47Mt @ 1.04g/t Au for 1.57Moz of gold.[3]
- **Licence to operate** – operating permits granted in proven mining investment jurisdiction with a supportive local community.
- **Exploration upside** – immediate near-pit resource growth potential & highly prospective regional exploration portfolio.

AISC averaging A$866/oz in the first 5 years, and A$1,033/oz over the life of mine, are possible due to wide, near surface ore zones. This allows for a very low waste : ore stripping ratio averaging 2.7:1 in the first 2 years driving maximum upfront cashflow. A conventional Carbon in Leach (CIL) processing plant combined with free milling, fast leaching and soft ore provides for strong cash generation. These factors, coupled with a simple mining and processing route, de-risk the Project and provide a rapid payback period due to high margins generated.

Woodlark Island presents an attractive operating environment with many logistical advantages and competitive operating costs, made possible by its flat topography and supportive local community. With the majority of the future labour force living locally, the development of the Project will provide a positive social benefit for the local community while maintaining competitive operational costs. The construction of a dedicated wharf facility within close proximity to operations also provides substantial logistical advantages during the construction and operational phase.

1 *All material assumptions underpinning the production target and forecast financial information continue to apply and have not changed materially.*
2 *Refer to Table 2 for a breakdown of the Ore Reserve Estimate announced on 7 November 2018.*
3 *Refer to Table 1 for a breakdown of the Mineral Resource Estimate.*

The table below presents a key information summary covering the operational physicals, key inputs, cashflow, unit costs and financials.

| OPERATIONAL PHYSICALS | Unit | First 5 Yrs of Production * | Life of Mine |
|---|---|---|---|
| Strip Ratio | (x) | 3.2 | 3.9 |
| Total Material Mined | (kt) | 77,601 | 149,189 |
| Ore Mined | (kt) | 18,404 | 30,304 |
| Grade Mined | (g/t Au) | 1.16 | 1.11 |
| **Contained Gold** | **(oz Au)** | **688,948** | **1,083,291** |
| Ore Processed | (kt) | 11,804 | 30,304 |
| Grade | (g/t Au) | 1.52 | 1.11 |
| Recovery | (%) | 90.2% | 88.8% |
| **Gold Produced** | **(oz)** | **522,034** | **967,117** |

* Excludes pre-strip period

| KEY INPUTS | Unit | Life of Mine US$ | Life of Mine A$ |
|---|---|---|---|
| Gold Price | /oz Au | 1,237 | 1,650 |
| Foreign Exchange | A$ : US$ | 1.33 | 0.75 |
| Mining Cost | /t mined | 1.88 | 2.51 |
| Processing Cost | /t processed | 10.33 | 13.77 |
| General & Admin Cost | /t processed | 3.35 | 4.47 |

| CASHFLOW | | Life of Mine US$ | Life of Mine A$ |
|---|---|---|---|
| Cashflow from Operations | Million(M) | 469 | 626 |
| Less: Capital Expenditure | Million(M) | (152) | (202) |
| Free Cashflow (Pre-tax) | Million(M) | 318 | 424 |
| Less: Income Tax | Million(M) | (60) | (80) |
| **Free Cashflow (Post-tax)** | **Million (M)** | **257** | **343** |

| UNIT COSTS - C1 & AISC | | Life of Mine US$ | Life of Mine A$ |
|---|---|---|---|
| Mining | /oz Au | 281 | 374 |
| Processing | /oz Au | 324 | 431 |
| G&A | /oz Au | 105 | 140 |
| Refining Costs | /oz Au | 5 | 6 |
| **Total C1 Costs** | **/oz Au** | **714** | **952** |
| Royalties | /oz Au | 28 | 37 |
| Sustaining Capital | /oz Au | 13 | 18 |
| Corporate Overheads | /oz Au | 20 | 26 |
| **Total AISC** | **/oz Au** | **775** | **1,033** |

| FINANCIAL METRICS - POST-TAX | | Life of Mine US$M | Life of Mine A$M |
|---|---|---|---|
| NPV @ 8% | | 148 | 197 |
| IRR | | 29% | 29% |
| Project Payback | | 2.2 Years | 2.2 Years |

### Project Financing

Leading up to the completion of the Woodlark Project DFS, the Company appointed Ironstone Capital as its financial advisor to support the project financing process. Following the appointment of Ironstone, the initial phase of project financing work was focussed on the identification of a potential funding group in order to short-list a combination of bank and non-bank financiers.

The next stage of project financing work involved discussions with the potential funding group to agree the scope of work required by independent technical experts (ITE) to form the basis of the independent technical review. This culminated in the appointment of SRK Consulting to lead the ITE review alongside a specialist group ERM, to complete the environmental and social aspects. Both ITE's presented initial reports during the period which identified there were no fatal flaws with the Woodlark Project.

In December, positive progress was made in the project financing process with the receipt of the first indicative non-binding term sheet for the debt component of the project financing, verifying Woodlark as a viable development opportunity.

After the reporting period, Geopacific announced it would focus on advancing the equity component of the project financing prior to the completion of any additional ITE studies.

### Regional Exploration

Activities were initially focussed on a development drill program designed to upgrade the Project's Reserve. Since the release of the PFS, the Company shifted its focus to regional exploration aimed at expanding the 1.57Moz gold Resource and testing the true scale of the Woodlark goldfield.

A regional exploration program commenced during the year and was designed to generate geochemical and geological targets for further testing to identify additional deposits. The program entailed the completion of a limited drilling campaign at the Great Northern Prospect, soil sampling across the entire outcropping volcanic sequences, completion of the first comprehensive geological map of outcropping volcanic sequences, and the assessment of geophysical properties of the volcanoclastic sequence at the Great Circle target area.

### Drilling

Drilling focussed on the Great Northern prospect, assessing a possible plunge extension of mineralisation below the pit design. Three shallow drillholes were also completed around the Great Circle target area, confirming depth of cover thickness interpretation and assessing geophysical properties of volcanoclastic lithologies buried under shallow sedimentary cover.

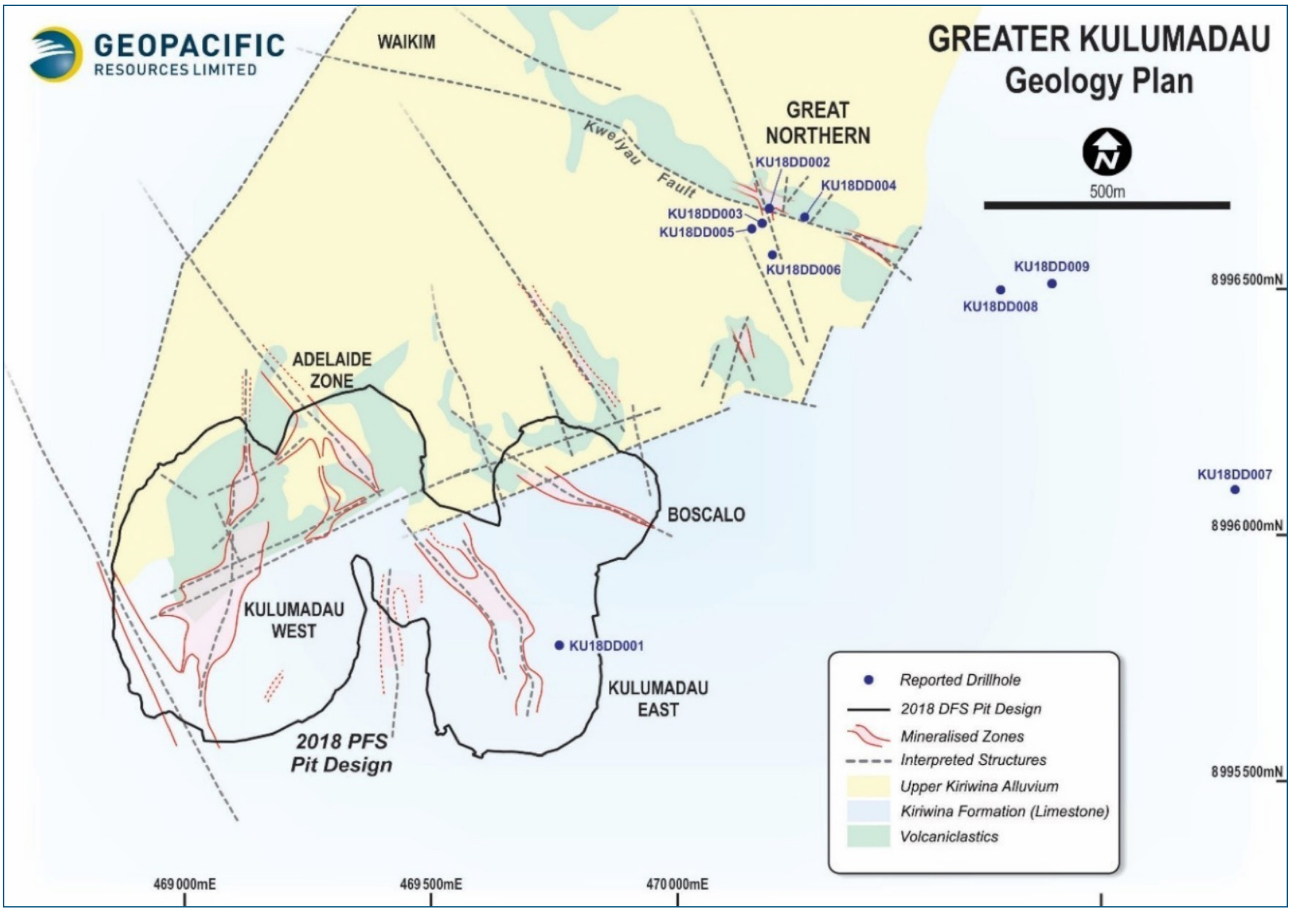


*Figure 1: Great Northern and Great Circle Target Areas*

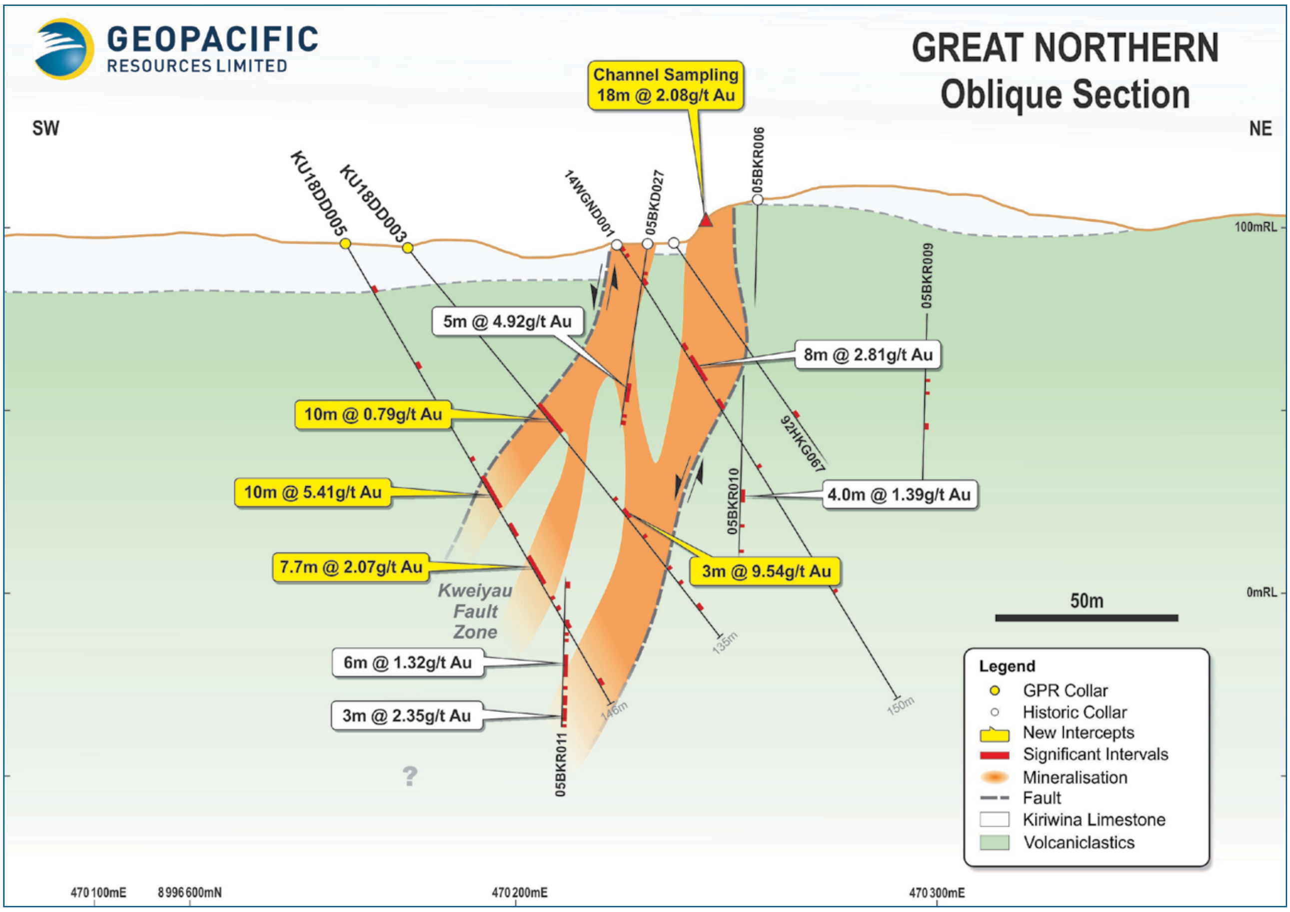


*Figure 2: Great Northern Cross Section*

Results from diamond drilling at the Great Northern prospect delineated several high-grade gold zones along the Kweiyau Fault (Figure 2). Highlights include:

- 10m @ 5.41g/t Au from 74m
- 7.7m @ 2.07g/t Au from 99m
- 3m @ 9.54g/t Au from 91m including 1m @ 19.4g/t Au

Drilling results confirmed the prospectivity and advanced the understanding of the Great Northern prospect geology and controls on gold mineralisation, with clear targets defined for follow up drilling.

## Soil Sampling

An island wide soil sampling and geological mapping program was undertaken over prospective, outcropping volcanic lithologies. The program represents the first comprehensive, island-wide geochemical assessment of prospective lithologies and was designed to provide a consistent level of base data to guide exploration in testing the true potential of the broader Woodlark goldfield.

Sampling commenced on the southern peninsula at Suloga, at the Watou prospect area and other areas surrounding the Woodlark King deposit. These areas returned encouraging soil geochemistry results confirming strong gold anomalism over a 1.4km strike at the Watou prospect. Soil gold values up to 6.28g/t Au and rock chip values to 48.41g/t Au were received.

Stream sediment from drainages in the Talpos and Watou prospect areas were systematically gold panned, with observed gold grains assessed for degree of transportation and proximity to primary source. Several drainages with strong gold in pan concentrate levels were identified for detailed follow up.

High copper anomalism was recorded at the Norac and Loluai prospects, located on the Suloga Peninsula, along with very high grade gold values in soil sampling. Gold in soil to 32g/t Au and copper values 0.97% Cu were confirmed by rock chip values to 1.4% Cu in rock chips.

The program identified 29 new target areas worthy of follow up by infill soil sampling, trenching, detailed mapping and if warranted, drill testing. Further testing of the defined target areas is aimed at expanding the current Resource and unlocking the true scale of the goldfield.

Woodlark's 600km$^2$ Exploration Licence remains largely underexplored and highly prospective with significant mineralisation falling outside the current Resource base.

## Kou Sa Project, Cambodia

The Kou Sa Project (Kou Sa) is located in northern Cambodia's Chep District, Phreah Vihear province and covers a license area of 158 square kilometres. A Maiden Resource (2012 JORC Code compliant) of 51,000 tonnes of copper equivalent was released in 2016. The resource was calculated to assess the project's initial inventory at Prospects 150 and 160. Geopacific believes Kou Sa holds significant potential for the discovery of additional deposits with economic grade and tonnage. A number of IP anomalies across the license still remain untested.

Exploration activity over the period comprised completion of diamond drilling designed to test anomalous surface geochemical signatures at Prospects 181 and 118, both of which yielded new discoveries.

Initial results from diamond drilling at Prospect 181 identified wide zones of epithermal-style, gold-silver mineralisation over a strike length of more than 250 metres. Mineralisation remains open at depth and along strike in both directions. True widths have yet to be determined but appear to be in excess of 40 metres. Significant drilling intercepts included 11.5m @ 3.14g/t Au and 14m @ 109.46g/t Ag.

A scout drilling program at Prospect 118 encountered a widespread gold and silver anomalism returning gold values up to 32.35g/t Au and silver values up to 2,300 g/t Ag. Drilling highlights are displayed in Figure 3 below and include 6.5m @ 223.58g/t Ag from 1m and 26.8m @ 1.11 g/t Au, 55.32 g/t Ag from 36.2m.

An IP geophysical survey over the Prospect 181 was also undertaken in the latter half of the year identifying IP chargeability anomalism that occurs in areas of drill defined gold and silver mineralisation. Limited surface trenching was conducted to assess selected IP and geochemical anomalies in the Prospect 181 area.

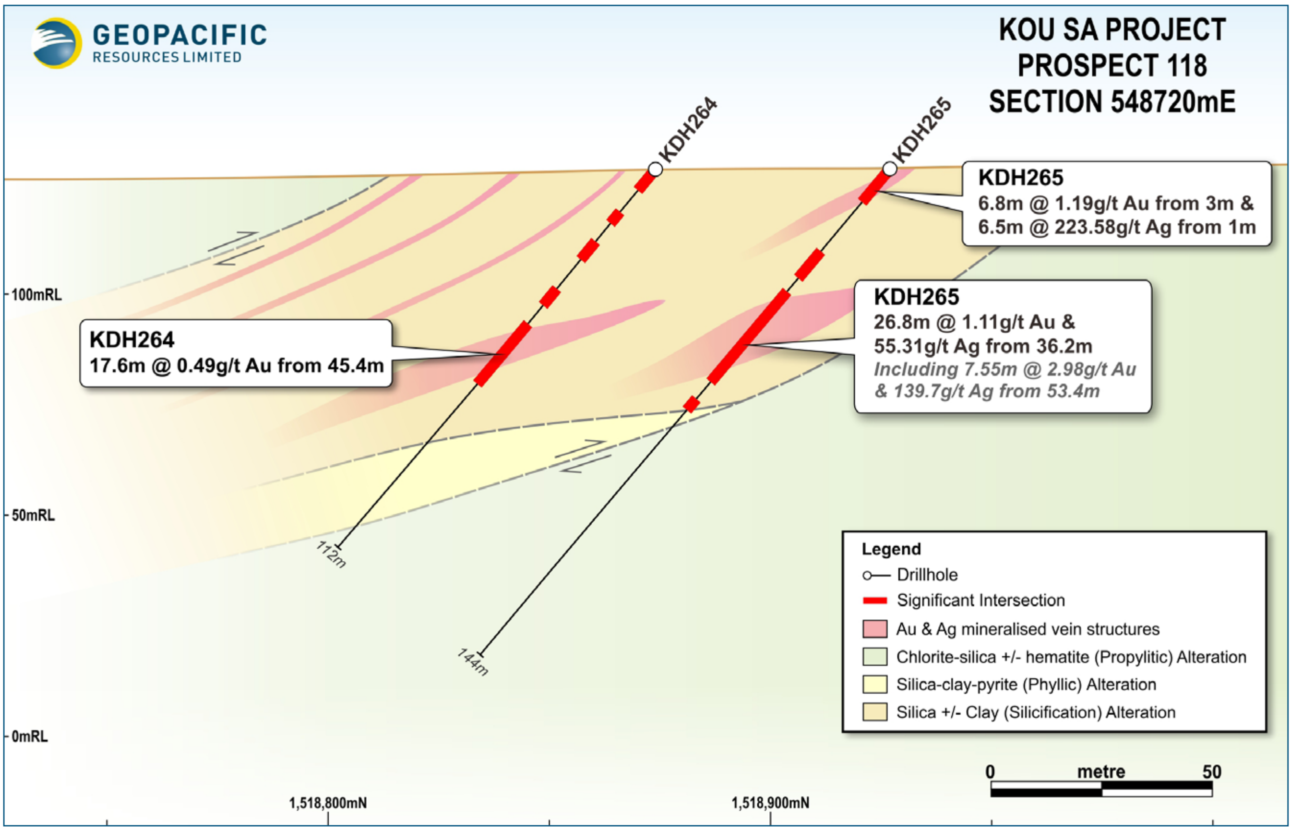


*Figure 3: Prospect 118 Cross Section*

## Fijian Gold and Copper Projects, Fiji

Geopacific is the largest licence holder in Fiji, with projects located on the two main islands of Viti Levu and Vanua Levu.

The Nabila, Rakiraki, Sabeto and Vuda Projects are in the highly-prospective north-east trending zone that also hosts the world-class Vatukoula and Mt Kasi gold mines.

The projects are at various stages of exploration from early to advanced, with the presence of deeper mineralised systems being identified in areas.

Exploration to date has provided evidence for porphyry and/or epithermal systems at all projects. There remains potential to expand the already identified gold mineralisation at Faddy's, which is the most advanced prospect across all of the Fijian projects.

An application was submitted in late 2018 to relinquish the Rakiraki, Qalau, Tabuka and Cakaudrove licences.

The board also wishes to pursue opportunities to divest the Fijian assets.

## CORPORATE

### Woodlark Gold Project Joint Venture Transaction and Kula Gold Limited Takeover

Geopacific announced on 23 August 2018 that its overall economic interest in the Woodlark Gold Project increased to 93% after achieving its second tranche incentive milestone of the joint venture with Kula Gold Limited (Kula). The 93% is comprised of its direct interest in the Project of 51% and an additional effective interest of 42% by virtue of its 85% controlling interest in Kula.

### Director appointment and resignation

Geopacific appointed Mr Colin Gilligan to the board as a Non-Executive Director. Mr Gilligan is a mining engineer with over 25 years' experience in the resources sector in Australia, South Africa, North America and Asia. He has held technical, executive and director roles with a number of companies throughout his career including Mitsui, Thiess, Anglo, Coalspur Mines and Resource Generation.

Ms Philippa Leggat stepped down from her role as Executive Director Corporate in order to pursue new opportunities in the junior resource sector.

### Oversubscribed capital raising – A$10m

On 30 April 2018, Geopacific announced the completion of a placement to raise A$10 million at A$0.036 per share, representing a 5.3% discount to the previous day's closing share price. This demonstrated the strong support from quality institutional investors for Geopacific's strategy to finalise the DFS and bring a significant exploration program online to continue to grow the Project.

### All resolutions voted on at the Annual General Meeting passed

Geopacific held its annual general meeting on 30 May 2018. All resolutions passed. The ordinary resolutions included adoption of the remuneration report, re-election of Director Milan Jerkovic and approval of a new incentive plan and its associated termination benefits, plan options and share appreciation rights. Special resolutions included ratification of prior issue of equity securities and approval of a 10% placement facility.

### All resolutions voted on at the General Meeting passed

Geopacific held a general meeting on 11 June 2018. All resolutions were passed. Resolutions included approval of the issue of equity securities and approval to issue securities to a related party, Milan Jerkovic, in a share placement.

## FINANCIAL REVIEW

| | 2014<br>$ | 2015<br>$ | 2016<br>$ | 2017<br>$ | 2018<br>$ |
|---|---|---|---|---|---|
| Net Loss After Tax | (1,636,029) | (2,000,637) | (4,144,977) | (4,042,911) | **(53,750,659)** |
| Loss Per Share (Cents) | (0.67) | (0.25) | (0.45) | (0.27) | **(2.49)** |
| Cash and Cash Equivalents | 4,165,516 | 12,589,002 | 11,469,015 | 6,765,343 | **3,059,221** |
| Expenditure on Exploration | 5,529,505 | 15,787,417 | 12,140,869 | 15,219,583 | **8,447,600** |
| Total Assets | 23,617,573 | 48,233,948 | 64,554,032 | 80,720,300 | **42,103,633** |
| Net Assets | 22,778,317 | 47,143,679 | 57,717,361 | 73,334,855 | **34,685,715** |

The Group recorded a net loss after tax for the year ended 31 December 2018 of $53,750,659 (2017: $4,042,911). The increase in the loss compared to the 2017 financial year mainly relates to an impairment of the Group's Kou Sa Project in Cambodia.

At 31 December 2018, the Group's total assets were $42,103,633 (2017: $80,720,300) and net assets were $34,685,715 (2017: $73,334,855). The impairment of the Groups Kou Sa Project in Cambodia was the major reason for the significant decrease in total assets and net assets at year end. The Group had additions of $8,447,600 (2017: $15,219,583 including prepayments) in exploration and evaluation assets mainly relating to the Woodlark Gold Project.

# MINERAL RESOURCES AND RESERVES

## Woodlark Gold Project Resources and Reserves

The Woodlark Resource is **47Mt @ 1.04g/t Au for 1.57Moz of gold**[4] including 222,000oz of gold in the Inferred category (Table 1). There was no change to the Mineral Resources reported at 31 December 2017 for comparison.

*Table 1: Woodlark Global Mineral Resource Estimate – March 2018*

| Category (>0.4g/t lower cut) | Tonnes (Million) | Grade g/t Au | Ounces (Thousand) |
|---|---|---|---|
| Measured | 21.24 | 1.10 | 754 |
| Indicated | 18.94 | 0.98 | 597 |
| Inferred | 6.8 | 1.00 | 222 |
| **Total** | **47.04** | **1.04** | **1,573** |

An updated Ore Reserve estimate was released in November 2018 and was completed by independent consultants, Mining Plus. The updated Ore Reserve estimate of **28.9Mt @ 1.12g/t Au for 1,037,600oz**[5] of gold is detailed in Table 2.

*Table 2: Woodlark Ore Reserve Estimate – November 2018*

| Total by deposit | Category (>0.4g/t lower cut) | Tonnes (Mt) | Grade (g/t) | Ounces (oz) |
|---|---|---|---|---|
| Busai | Proven | 9.3 | 1.03 | 307,300 |
| | Probable | 4.3 | 0.87 | 120,900 |
| Kulumadau | Proven | 7.4 | 1.37 | 324,700 |
| | Probable | 5.2 | 1.17 | 196,900 |
| Woodlark King | Proven | 1.9 | 1.06 | 65,000 |
| | Probable | 0.8 | 0.84 | 22,800 |
| | **Proven** | **18.6** | **1.17** | **697,000** |
| Total Ore Reserve | **Probable** | **10.4** | **1.02** | **340,600** |
| | **Total** | **28.9** | **1.12** | **1,037,600** |

## Kou Sa Project Mineral Resource – Prospects 150 & 160

The Mineral Resource for Prospects 150 and 160 at the Kou Sa Project was **3.84 million tonnes at 0.77% Cu, 0.66g/t Au and 5.27g/t Ag for 51.2k tonnes of Cu equivalent**. The Mineral Resources estimated at a 0.4% CuEq lower cut-off are detailed in Table 3. There was no change to the Mineral Resources reported at 31 December 2017 for comparison.

*Table 3: Kou Sa Global Mineral Resource Estimate – July 2016*

| Category | Tonnes (Million) | Cu % | Au g/t | Ag g/t | CuEq % | Cu Kt | Au Koz | Ag Koz | CuEq Kt |
|---|---|---|---|---|---|---|---|---|---|
| Indicated | 3.49 | 0.78 | 0.71 | 5.37 | 1.38 | 27.1 | 79.2 | 602 | 48.1 |
| Inferred | 0.35 | 0.70 | 0.20 | 4.30 | 0.90 | 2.30 | 2.70 | 48 | 3.1 |
| **Total** | **3.84** | **0.77** | **0.66** | **5.27** | **1.33** | **29.40** | **81.80** | **651** | **51.2** |

4 *Refer to March 2018 Pre-feasibility Study – 'Robust Woodlark Gold project PFS Supports Development.'*
5 *Refer to 'Woodlark Ore Reserve Update' announced on 7 November 2018.*

## Competent Persons Statement

The information in this report that relates to Woodlark exploration results is based on information compiled by or under the supervision of James Kerr, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and General Manager, Geology for Geopacific. Mr Kerr has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Kerr consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Woodlark Mineral Resources is based on information compiled and reviewed by Mr Nicholas Johnson, a Competent Person who is a Member of the Australian Institute of Geoscientists and a full-time employee of MPR Geological Consultants Pty Ltd. Mr Johnson has sufficient experience which is relevant to the style of mineralization and type of deposits under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code 2012 and is a qualified person for the purposes of NI43-101. Mr Johnson has no economic, financial or pecuniary interest in the company and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Woodlark Mineral Reserves is based on information compiled and reviewed by Mr John Battista, a Competent Person who is a Member and Chartered Professional of the Australian Institute of Mining and Metallurgy (AusIMM) and a full-time employee of Mining Plus Pty Ltd. Mr Battista has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code 2012 and is a qualified person for the purposes of NI43-101. Mr Battista has no economic, financial or pecuniary interest in the company and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Cambodian Mineral Resource estimate is based on information compiled by Jonathon Abbott, a Competent Person who is a Member of the Australian Institute of Geoscientists. Jonathon Abbott is a full-time employee of MPR Geological Consultants Pty Ltd and is an independent consultant to Geopacific Resources Limited. Mr Abbott has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Abbott consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Cambodian exploration results is based on information compiled by or under the supervision of Ron Heeks, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and Managing Director of Geopacific. Mr Heeks has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Heeks consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## Forward Looking Statements

All statements other than statements of historical fact included in this report including, without limitation, statements regarding future plans and objectives of Geopacific are forward-looking statements. When used in this report, forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this report, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the company, its directors and management of Geopacific that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements.

Geopacific cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this report, except where required by applicable law and stock exchange listing requirements.

## DIRECTORS REPORT

The Directors present their report together with the financial report of the Geopacific Group, being Geopacific Resources Limited ("Geopacific" or "the Company") and its controlled entities ("the Group" or "Consolidated entity") for the financial year ended 31 December 2018, and the auditors' report thereon.

## 1 DIRECTORS AND COMPANY SECRETARY

The names of the Company's Directors and Company Secretary in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

| Name, Position Held & Qualification | Experience, Special Responsibilities & Other Directorships |
|---|---|
| **Milan Jerkovic** | |
| Non-Executive Chairman<br>Appointed: 23 April 2013<br>B. App. Sc (Geology)<br>Fellow of AusIMM<br>Member of AICD<br>Post Graduate Diploma in Mineral Economics<br>Post Graduate Diploma in Mining | Mr Jerkovic is a qualified geologist with postgraduate qualifications in Mining & Mineral Economics with over 30 years of experience in the mining industry involving resource evaluation, operations, financing, acquisition, project development and general management.<br><br>Mr Jerkovic was the Chief Executive Officer of Straits Resources Limited and has held positions with WMC, BHP, Nord Pacific, Hargraves, Tritton and Straits Asia. Mr Jerkovic was the founding Chairman of Straits Asia Resources and is currently Executive Chairman of Blackham Resources Limited and a Non-Executive Director of Metals X Limited.<br><br>Mr Jerkovic was appointed Chairman of the Company on 1 August 2013 and is also a member of the Audit and Risk Committee.<br><br>Mr Jerkovic has the following interest in Shares in the Company as at the date of this report – 13,196,677 ordinary shares. |
| **Ron Heeks** | |
| Managing Director<br>Appointed: 28 March 2013<br>B. App. Sc (Geology)<br>Member of AusIMM | With 30 years' mining industry experience, Mr Heeks was a founder of Exploration and Mining Consultants and has had previous experience with WMC, Newcrest, Newmont (US) and RSG Consulting.<br><br>Mr Heeks has held senior roles in both mine management and exploration and is a Former General Manager – Technical for Straits Asia Indonesian Operations and Chief Technical Officer for Adamus Resources Southern Ashanti Gold Operation. He has lived and worked in various countries around the world gaining extensive experience in South-East Asia and Indonesia in particular.<br><br>Mr Heeks was appointed Managing Director of the Company on 28 March 2013 after the takeover of Worldwide Mining Projects Ltd. Mr Heeks is currently a Non-Executive Director of Kula Gold Limited. Mr Heeks has the following interest in shares in the Company as at the date of this report – 8,768,618 ordinary shares. |
| **Mark Bojanjac** | |
| Non-Executive Director<br>Appointed: 28 March 2013<br>B. Com<br>Member of CAANZ | Mr Bojanjac is a Chartered Accountant with over 20 years' experience in developing resource companies. Mr Bojanjac was a founding director of Gilt-Edged Mining Limited which discovered one of Australia's highest grade gold mines and was managing director of a public company which successfully developed and financed a 2.4m oz gold resource in Mongolia. He also co-founded a 3 million oz gold project in China.<br><br>Mr Bojanjac was most recently Chief Executive Officer of Adamus Resources Limited and oversaw its advancement from an early stage exploration project through its definitive feasibility studies, and managed the debt and equity financing of its successful Ghanaian gold mine.<br><br>Mr Bojanjac was appointed a Director of the Company on 28 March 2013 after the takeover of Worldwide Mining Projects Ltd.<br><br>Mr Bojanjac serves as Executive Chairman of Canadian explorer, PolarX Limited and is the Non-Executive Chairman of Kula Gold Limited.<br><br>Mr Bojanjac is also the Chairman of the Audit and Risk Committee.<br><br>Mr Bojanjac has the following interest in shares in the Company as at the date of this report – 3,416,666 ordinary shares. |

| Name, Position Held & Qualification | Experience, Special Responsibilities & Other Directorships |
|---|---|
| **Ian Clyne** | |
| Non-Executive Director<br>Appointed: 6 October 2016 | Mr Clyne has over 35 years' experience in international banking having worked in senior executive positions in ten countries in Asia, Oceania, Australia and Europe. He has specialised in emerging markets and has held roles of President, Director, Managing Director and Chief Executive Officer with universal banking operations that have extensive branch networks and large employee bases. Mr Clyne has successfully re-engineered banks in Indonesia, Italy, Poland and PNG.<br><br>Mr Clyne held the role of Managing Director and Group CEO of Bank South Pacific (BSP), based in Port Moresby (2008 – 2013). He undertook a major transformation program changing BSP from a typical emerging economy banking institution into an innovative, technology driven, modern bank. Under his leadership, the bank grew from having 400,000 accounts in PNG to over 1 million in PNG and 1.5 million across the Pacific, including Fiji and the Solomon Islands, with a market capitalisation of $1.7 billion at the end of his term.<br><br>Mr Clyne is also a member of the Audit and Risk Committee.<br><br>Mr Clyne is currently a Non-Executive Director of Union Bank of Nigeria.<br><br>Mr Clyne has the following interest in shares in the Company as at the date of this report – 2,400,000 ordinary shares. |
| **Colin Gilligan** | |
| Non-Executive Director<br>Appointed: 26 June 2018 | Mr Gilligan is a mining engineer with over 25 years' experience in the resources sector, in Australia, South Africa, North America and Asia. He has held technical, executive and director roles with a number of companies throughout his career including Mitsui, Thiess, Anglo, Coalspur Mines and Resource Generation.<br><br>During his career Mr Gilligan has provided leadership to a number of operations, EPC contracts, mining contracts and development projects across different commodities. He has also successfully contributed to raising development funding in various forms.<br><br>Mr Gilligan brings a successful background in organisational leadership, project development and delivery, predominantly achieved through a focus on people, culture and optimal efficiency.<br><br>Mr Gilligan also contributes significant board-level experience at private and public company level, particularly on technical matters, governance, funding, risk management, strategy and leadership.<br><br>Mr Gilligan is currently an Independent Non-Executive Director at Resource Generation Limited.<br><br>Mr Gilligan held no interest in shares in the Company as at the date of this report. |

| Name, Position Held & Qualification | Experience, Special Responsibilities & Other Directorships |
|---|---|
| Matthew Smith | |
| Company Secretary<br>Appointed: 1 December 2016<br>B. Com (Accounting)<br>Member of CAANZ | Mr Smith has over 15 years' experience in the resource industry across a broad range of commodities including precious metals, industrials and bulk commodities. Mr Smith has worked for a range of companies operating in the Asia Pacific region and most recently held the role of Chief Financial Officer at ASX listed Kingsrose Mining Limited, with gold operations in Indonesia.<br><br>Mr Smith is a Chartered Accountant with relevant industry experience on an array of financing transactions across debt and equity markets. Mr Smith also brings specialist knowledge in the areas of international taxation, corporate structuring, accounting and corporate governance.<br><br>Mr Smith has previously held the role of Company Secretary at Straits Resources Limited and is currently a Non-Executive Director of Kula Gold Limited.<br><br>Mr Smith held no interest in shares in the Company as at the date of this report. |
| Philippa Leggat | |
| Executive Director – Corporate<br>Appointed: 13 January 2017<br>B. Com (Finance, Risk & Strategic Management)<br>Member of AICD<br>Resigned: 10 September 2018 | Ms Leggat has extensive experience in corporate mining roles and also brings a new perspective to the Board having worked in several other industries where she has achieved successful corporate outcomes. Clients in the resource sector include MMG, Anglo-Gold Ashanti, Anglo Platinum and Xstrata.<br><br>Ms Leggat is a corporate advisor and company director with over 15 years' experience in assisting international organisations that operate in Africa, Asia, Australia and Europe. She has a strong background in corporate governance and finance and a practical understanding of the issues faced by developed-world businesses operating in emerging economies. Ms Leggat's experience covers; negotiations, mergers and acquisitions, fund raising, defining and executing business improvement strategies.<br><br>Ms Leggat was previously a Non-Executive Director of Kula Gold Limited and Parker Resources NL.<br><br>Ms Leggat held no interest in shares in the Company as at the date of resignation. |

## 2 PRINCIPAL ACTIVITY

The principal activity of the Group is mineral development and exploration focussed on gold and copper deposits in Papua New Guinea and Cambodia.

There were no significant changes in the nature of this activity of the Group during the financial year.

## 3 OPERATING AND FINANCIAL REVIEW

A review of the operations and financial position of the Company during the year ended 31 December 2018, including details of the results of operations, changes to the state of affairs, and likely developments in the operation of the Company in subsequent financial years is set out in the Operations Review.

## 4 DIVIDENDS

No dividends were paid or declared during the financial year.

## 5 STATE OF AFFAIRS

There have not been any significant changes in the state of affairs of the Company during the financial year, other than those noted in the financial report.

## 6 EVENTS SUBSEQUENT TO REPORTING DATE

On 8 March 2019, the Company announced it had agreed to acquire from Kula Gold Ltd (Kula) all of Kula's rights and interests in the Woodlark Gold Project (Woodlark), consolidating Geopacific's 100% direct ownership of the gold project.

Under an agreement signed 6 March 2019 (Agreement) Kula agreed to sell, free from all encumbrances and third party claims, and Geopacific agreed to purchase, all of the outstanding shares in Woodlark Mining Limited (Woodlark) not currently owned by Geopacific (Sale Shares).

The purchase price payable under the Agreement comprises of:

1. the cancellation by way of selective buy back under section 257A of the Corporations Act 2001 (Cth) of all of the shares in Kula held by Geopacific (Kula Shares);
2. subject to the cancellation of the Kula Shares, the immediate issue to Kula of 150,000,000 fully paid ordinary shares in Geopacific at a deemed issue price of 1.7c each (Geopacific Shares) proposed to be distributed to Kula shareholders (other than Geopacific) following regulatory approvals and procedures, in specie or similar;
3. the payment by Geopacific to Kula of an amount (equal to the amount, as at completion, of the inter-company debt between Geopacific, as lender and Kula, as borrower (Kula Debt Amount)) (Cash Consideration) to be applied at completion against the Kula Debt Amount in accordance with the Agreement. The Parties anticipate the Kula Debt Amount to be between $500,000 and $750,000;
4. payment by Geopacific to Kula of $20,000; and
5. assignment by Kula to Geopacific of the inter-company loan owed by Woodlark (being $7.1million as at the date of the Agreement).

## 7 DIRECTORS' INTERESTS AND BENEFITS

The relevant interest of each Director in the share capital as notified by the Directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, at the date if this report is as follows:

| | Direct | | | Indirect | | |
|---|---|---|---|---|---|---|
| Name | Shares | Options | Rights | Shares | Options | Rights |
| M Jerkovic | 3,777,778 | - | - | 9,418,899 | - | - |
| M Bojanjac | 916,666 | - | - | 2,500,000 | - | - |
| I Clyne | 2,400,000 | 750,000 | - | - | - | - |
| C Gilligan | - | - | - | - | - | - |
| R Heeks | 4,000,000 | 10,593,263 | 4,838,214 | 4,768,618 | - | - |

## 8 DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees) and the number of meetings attended by each of the Directors of the Company during the financial year are set out below:

| | Directors Meetings | | Audit and Risk Committee Meetings | |
|---|---|---|---|---|
| Name | Attended* | Eligible to Attend | Attended* | Eligible to Attend |
| M Jerkovic | 9 | 9 | 2 | 2 |
| M Bojanjac | 9 | 9 | 2 | 2 |
| I Clyne | 8 | 9 | 2 | 2 |
| C Gilligan | 4 | 4 | - | - |
| R Heeks | 9 | 9 | - | - |
| P Leggat | 7 | 7 | - | - |

* Either in person, or by electronic means.

The Board of Directors takes ultimate responsibility for corporate governance. This includes the establishment of compensation arrangements for the Company's Executive Directors and senior executives. It also includes the appointment and retirement of Non-Executive Directors, appointment of Auditors, monitoring key areas of business risk, maintenance of ethical standards and Audit and Risk Committees. The Board seeks independent professional advice as necessary in carrying out its duties and responsibilities.

## 9 LIKELY DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group will continue to advance its development and exploration portfolio and seek to increase its tenement holdings by acquiring further projects.

## 10 ENVIRONMENTAL REGULATIONS

Entities in the Group are subject to normal environmental regulations in areas of operations in Papua New Guinea, Cambodia and Fiji. There have been no breaches of these regulations during the financial year, or in the period subsequent to the end of the financial year and up to the date of this report.

## 11 SHARE OPTIONS

There were 62,673,263 Options over unissued shares unexercised at 31 December 2018 (2017 – 1,000,000). During the financial year, the Company did not issue any shares on the exercise of unlisted Options. Since the end of the financial year, no unlisted Options have been cancelled or exercised.

Details of unlisted Options over unissued shares in the Company as at the date of this report are presented in the following table:

| Options on Issue | Exercise Price | Expiry Date |
|---|---|---|
| 800,000 | $2.5000 | Not later than 5-years after defining a JORC compliant ore reserve of over 200,000oz Au on the Faddy's Gold Deposit |
| 200,000 | $5.0000 | Not later than 10-years after defining a JORC compliant ore reserve of over 1,000,000oz Au on the Faddy's Gold Deposit |
| 17,188,888 | $0.0000 | 10 July 2019 |
| 24,265,875 | $0.0000 | 10 July 2021 |
| 20,218,500 | $0.0408 | 10 July 2022 |

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

## 12 SHARE APPRECIATION RIGHTS

There were 22,365,071 share appreciation rights over unissued shares unexercised at 31 December 2018 (2017 – Nil). During the financial year, the Company did not issue any shares on the exercise of unlisted share appreciation rights. Since the end of the financial year, no unlisted share appreciation rights have been cancelled or exercised.

Details of unlisted share appreciation rights over unissued shares in the Company as at the date of this report are presented in the following table:

| Share appreciation rights on Issue | Exercise Price | Expiry Date |
|---|---|---|
| 22,365,071 | $0.0285 | 10 July 2022 |

## 13 INSURANCE OF OFFICERS

The Company has paid a premium to insure the Directors and Company Secretary of the Group in respect of certain legal liabilities, including costs and expenses in successfully defending legal proceedings, whilst they remain as Directors and for seven years thereafter. The insurance contract prohibits the disclosure of the total amount of the premiums and a summary of the nature of the liabilities.

## 14 PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## 15 AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 31 December 2018 is set out on page 29.

## 16 AUDITOR

The Company's auditor is Ernst & Young.

The Company has agreed with Ernst & Young, as part of its terms of engagement, to indemnify Ernst & Young against certain liabilities to third parties arising from the audit engagement. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young.

During the financial year the company has not paid any premium in respect to any insurance for Ernst & Young or a body corporate related to Ernst & Young.

During the year, the following fees were paid or payable to the auditors of the Company for services provided by the auditor of the Company and its subsidiaries, its related practices and nonrelated audit firms:

| Audit Services | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Greenwich & Co | | |
| Audit and review of the financial report and other audit work under the *Corporations Act 2001* | **12,091** | 30,000 |
| Other non-audit services | **2,200** | 10,450 |
| Ernst & Young | | |
| Audit and review of the financial report for Geopacific Resources Limited and its controlled subsidiaries and other audit work under the *Corporations Act 2001* | **67,500** | 26,500 |
| Total | **81,791** | 66,950 |

## 17 NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

## 18 REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements of the Group pursuant to the requirements of the *Corporations Act 2001* and its regulations. This information has been audited as required under section 308(3)(c) of the *Corporations Act 2001*.

This report details the remuneration arrangements of the Group's key management personnel (KMP), who are defined as those persons who have the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director of Geopacific.

Details of the KMP of the Group during the reporting period are set out in the table below:

| Name | | Position |
|---|---|---|
| **Non-Executive Directors** | | |
| Milan Jerkovic | | Non-Executive Chairman |
| Mark Bojanjac | | Non-Executive Director |
| Ian Clyne | | Non-Executive Director |
| Colin Gilligan | Appointed – 26 June 2018 | Non-Executive Director |
| **Executives** | | |
| Ron Heeks | | Managing Director |
| Philippa Leggat | Resigned – 10 September 2018 | Executive Director - Corporate |
| Matthew Smith | | Chief Financial Officer & Company Secretary |
| Glenn Zamudio | | General Manager - Projects |
| James Kerr | | General Manager - Geology |

There were no changes to KMP other than those noted above after the reporting date and before the date the financial report was authorised for issue.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Remuneration Governance

Due to the size and structure of the Board the Company does not have a separate Remuneration Committee. Remuneration matters are dealt with by the full Board, with Directors excluded from individual discussions as required. The Board will continue to assess the Company's circumstances in determining whether the establishment of a separate Remuneration Committee is required.

The Board is responsible for reviewing and recommending the remuneration arrangements of the Group KMP each year and ensuring that the Group's remuneration structures are aligned with the interests of the Company and its shareholders. This includes an annual remuneration review of base salary (including superannuation), short term incentives (STI) and long term incentives (LTI), including the appropriateness of performance hurdles.

### Remuneration Consultants

During the previous reporting period, BDO Chartered Accountants developed a comprehensive remuneration framework for the Company to provide recommendations as defined in section 9B of the *Corporations Act 2001*.

The new remuneration framework was further refined in the current reporting period and approved by shareholders at the Annual General Meeting (AGM) held on 30 May 2018.

### Remuneration Overview and Strategy

The objective of the Group's remuneration framework is to support the delivery of sustained shareholder value and to ensure rewards accurately reflect achievements in line with general market conditions. The strategy is designed to attract, motivate and retain high calibre individuals through the provision of remuneration packages that incorporate a balance of fixed and variable remuneration. In accordance with sound corporate governance practices, the structure of Non-Executive and Executive remuneration is separate and distinct. There is no direct relationship between remuneration and the financial performance of the Group.

The following table shows the Company's performance over the reporting period and the previous four financial years and against overall remuneration for these years:

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Loss Per Share (Cents) | 0.67 | 0.25 | 0.45 | 0.27 | 2.49 |
| Year-end share price | 0.051 | 0.041 | 0.036 | 0.027 | 0.016 |
| Market capitalisation (million) | 17.1 | 32.8 | 41.6 | 48.7 | 33.3 |
| Total KMP remuneration | 973,785 | 1,033,501 | 1,011,937 | 1,468,516 | 2,196,274 |

### Executive Remuneration Framework

The Board's objective is to reward Executives with a quantum and mix of remuneration commensurate with their position and responsibilities and that is competitive within the marketplace. With this in mind, the Company remunerates its Executives with a mix of both fixed and at risk, or variable, remuneration. Variable remuneration incorporates a balance of short, medium and long term incentives.

Fixed remuneration for Executives consists of base salary, Zero Exercise Price Options (ZEPOs), superannuation and other non-cash benefits. It is designed to provide a base level of remuneration which is appropriate for the Executives position, reflecting the individual's skills, level of experience and responsibilities.

Variable remuneration, or performance linked remuneration, includes a combination of short, medium and long term incentives designed to provide an "at risk" reward in a manner which aligns with the creation of sustained shareholder value.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Executive Remuneration Framework (continued)

All Executives are eligible to receive short, medium and long term incentives which can be issued in accordance with the Company's Securities Incentive Plan (Incentive Plan) that was approved by shareholders at the AGM held on 30 May 2018.

The incentive Plan incorporates a 5% cap on total shares that can be issued to Executives under plan.

The following table provides a high level summary of the Company's new remuneration framework:

| | | | |
|---|---|---|---|
| **Fixed remuneration** | Remuneration linked to market rate of the role. | Total fixed remuneration | Remuneration for meeting role requirements. |
| **Variable remuneration** *Incentive* | Remuneration for delivering on key milestones which are designed to create value for shareholders. | Short term incentive | Incentive for the achievement of annual objectives. |
| | | Medium term incentive | Incentive for the achievement of sustained business value. |
| **Variable remuneration** *Reward* | Remuneration for the creation of value for shareholders - directly linked to shareholder returns. | Long term incentive | Reward for performance over the long term. |

The Incentive Plan provides for the use of a range of equity based instruments to deliver incentives which focus participants on the delivery of sustained shareholder value and to minimise the cash component of total remuneration. The various components of the Incentive Plan are outlined below.

### Fixed Remuneration Correction Plan

The fixed remuneration correction plan was designed to align total fixed remuneration with market rates using a share based payment rather than cash. In order to determine appropriate market rates, a peer group consisting of fourteen development and exploration companies across a range of commodities was selected on the basis of:

- Company size by reference to market capitalisation;
- Scale and stage of development of projects; and
- Geographic operating locations.

Independent analysis completed by BDO Chartered Accountants determined that a gap existed between the total fixed remuneration of the Company's executives in comparison to the Peer Group for given roles.

In order to ameliorate the gap, in the prior year BDO Chartered Accountants recommended the issue of Class A Options in the form of Zero Exercise Price Options (ZEPOs) for the difference between:

- the 50th percentile of peer group total fixed remuneration for their given role; versus
- the participants total cash based annual fixed remuneration.

Class A Options are issued annually in advance, for no consideration and have an exercise price of nil. As the Class A Options are issued as part of the correction plan, there are no vesting conditions attached other than the continuation of service which can be waived at the discretion of the Board.

During the year, short term ZEPOs were issued with a one year vesting period in relation to services performed for the 2017 and 2018 financial years.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Incentive Plan

The Incentive Plan is linked to the achievement of milestones that are set each calendar year by the Board. The Board selects milestones that are intended to drive ongoing returns for shareholders. Each milestone is then given a weighting based on significance.

Following the completion of each calendar year, the Board determined which performance milestones were satisfied in the prior year in order to calculate the quantum of instruments to be issued. The total incentive plan opportunity, which represents the maximum that could be issued, is determined as follows:

- 190% of total fixed remuneration for the Managing Director; and
- 160% of total fixed remuneration for all other participants.

The total incentive plan opportunity is divided up between a cash based bonus and a range of equity based instruments. Each element is given a weighting designed to provide an appropriate mix if short, medium and long term incentives for participants.

During the reporting period, instruments were issued under the Incentive Plan in relation to milestones that were achieved during the 2017 calendar year. The Board determined that three out of the four performance milestones had been satisfied, resulting in the award of up to 75% of the total incentive plan.

The milestones set for the 2018 year are as follows:

- 30% on the released of a Definitive Feasibility Statement for the Woodlark Project;
- 25% on the restructure of the Group via corporate transaction/s which may include demerger, joint venture or sale;
- 15% on the Resource growth to a JORC standard of greater than 10% at the Woodlark Project as measured from the initial GPR Woodlark Resource;
- 15% on release of a new Ore Reserve Statement for the Woodlark Project containing greater than 1M oz Au; and
- 15% on Board acceptance of a financing solution for the development of the Woodlark Project.

The table below outlines the maximum percentages available along with the percentages awarded based on the milestones met:

| | | Managing Director | | Other Participants | | | | |
|---|---|---|---|---|---|---|---|---|
| Plan Element | Instrument | Maximum Available | Incentive Awarded | Maximum Available | Incentive Awarded | Vesting Period | Exercise Price | Conditions |
| **Short term incentive** | Cash based bonus | 11% | **Nil** | 11% | **Nil** | N/A | N/A | N/A |
| **Medium term incentive** | Class B Options - ZEPOs | 45% | **34%** | 45% | **33%** | 3 years | Nil | Continuation of service |
| **Long term incentive** | Class C Options – Premium Exercise Price Options (PEPOs) | 21% | **16%** | 21% | **14%** | 4 years | 143% of the Company's share price at grant date | Continuation of service |
| **Long term incentive** | Share Appreciation Rights (SARs) | 23% | **17%** | 23% | **18%** | 3 years | Nil* | Continuation of service |
| Total | | 100% | **67%** | 100% | **65%** | | | |

* Exercise price of SARs - theoretical exercise price is the Company's share price at grant date.

The Board, in exercising its discretion, determined that cash based bonuses would not be paid.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands, which are made on, and the responsibilities of the Directors. A review of Non-Executive Directors' fees and payments is conducted annually. The Board may from time to time seek the advice of independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate in the market setting.

The Chairman's fees are determined independently to the fees of Non-Executive Directors based on comparative roles in market. The Chairman is not present at any discussions relating to determination of his own remuneration.

### Directors' fees

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The pool limit currently stands at $400,000 per year in aggregate as agreed at the 2012 AGM.

A Director may also be paid fees or other amounts if special duties are performed outside the scope of normal duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Details of Remuneration

The tables below set of the details of the remuneration of the Group's KMP, pursuant to *AASB 124 Related Party Disclosures.*

| 2018 | Short Term Benefits | | | Post Employment Benefits | | Share Based Payments | Long Term Benefits | | Performance Related |
|---|---|---|---|---|---|---|---|---|---|
| | Salaries & Fees | Annual Leave | Bonus | Super-annuation | Termination Payments | Options & Rights | Long Service Leave | Total | |
| | $ | $ | $ | $ | $ | $ | $ | $ | % |
| Non-Executive Directors | | | | | | | | | |
| M Jerkovic | 95,000 | - | - | 9,025 | - | - | - | 104,025 | - |
| M Bojanjac | 60,000 | - | - | 5,700 | - | - | - | 65,700 | - |
| I Clyne | 60,000 | - | - | 5,700 | - | 10,948 | - | 76,648 | 14 |
| C Gilligan (i) | 25,000 | - | - | 2,375 | - | - | - | 27,375 | - |
| NED Sub-total | **240,000** | **-** | **-** | **22,800** | **-** | **10,948** | **-** | **273,748** | |
| Executive Directors | | | | | | | | | |
| R Heeks | 330,000 | - | - | - | - | 50,311 | - | 380,311 | 13 |
| P Leggat (ii) | 140,000 | - | - | 24,938 | 140,000 | 333,336 | - | 638,274 | 52 |
| Directors Sub-total | **470,000** | **-** | **-** | **24,938** | **140,000** | **383,647** | **-** | **1,018,585** | |
| Other KMP | | | | | | | | | |
| M Smith | 210,000 | 14,538 | - | 19,950 | - | 83,849 | 1,597 | 329,934 | 25 |
| G Zamudio | 180,000 | 6,923 | - | 17,100 | - | 83,849 | 1,369 | 289,241 | 29 |
| J Kerr | 180,000 | 2,423 | - | 17,100 | - | 83,849 | 1,394 | 284,766 | 29 |
| Other KMP Sub-total | **570,000** | **23,884** | **-** | **54,150** | **-** | **251,547** | **4,360** | **903,941** | |
| TOTAL | **1,280,000** | **23,884** | **-** | **101,888** | **140,000** | **646,142** | **4,360** | **2,196,274** | |

(i) Mr C Gilligan commenced on 26 June 2018
(i) Ms P Leggat resigned on 10 September 2018. On this date, the Board approved that Ms. Leggat would be entitled to her unvested Options and Rights, waiving the service period normally required as at the date she ceased employment. This resulted in an accelerated expensing profile. The Geopacific Resources Limited share price on that date was $0.022. The fair value of these grants was not changed at the date of modification and the remaining vesting conditions assigned to her options and rights were not modified on this date.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Details of Remuneration (continued)

| 2017 | Short Term Benefits | | | Post Employment Benefits | | Share Based Payments | Long Term Benefits | | Performance Related |
|---|---|---|---|---|---|---|---|---|---|
| | Salaries & Fees | Annual Leave | Bonus | Super-annuation | Termination Payments | Options & Rights | Long Service Leave | Total | |
| | $ | $ | $ | $ | $ | $ | $ | $ | % |
| Non-Executive Directors | | | | | | | | | |
| M Jerkovic | 95,000 | - | - | 9,025 | - | - | - | 104,025 | - |
| M Bojanjac | 60,000 | - | - | 5,700 | - | - | - | 65,700 | - |
| I Clyne | 60,000 | - | - | 5,700 | - | - | - | 65,700 | - |
| NED Sub-total | **215,000** | **-** | **-** | **20,425** | **-** | **-** | **-** | **235,425** | |
| Executive Directors | | | | | | | | | |
| R Heeks | 330,000 | - | - | - | - | - | - | 330,000 | - |
| P Leggat | 190,346 | - | 50,000 | 18,083 | - | - | - | 258,429 | - |
| Directors Sub-total | **520,346** | **-** | **50,000** | **18,083** | **-** | **-** | **-** | **588,429** | |
| Other KMP | | | | | | | | | |
| M Smith | 190,346 | 16,346 | - | 18,083 | - | - | - | 224,775 | - |
| G Zamudio | 180,000 | 11,769 | - | 17,100 | - | - | - | 208,869 | - |
| J Kerr | 180,000 | 13,918 | - | 17,100 | - | - | - | 211,018 | - |
| Other KMP Sub-total | **550,346** | **42,033** | **-** | **52,283** | **-** | **-** | **-** | **644,662** | |
| TOTAL | **1,285,692** | **42,033** | **50,000** | **90,791** | **-** | **-** | **-** | **1,468,516** | |

The above table presents comparative information for the 2017 financial year.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Service Agreements

A summary of the key terms of the Director contracts with the Company are set out below:

**Milan Jerkovic - Non-Executive Chairman**

- Directors Fees of $95,000 per annum;
- Statutory superannuation contributions;
- Eligible to participate in the long-term incentive schemes offered by the Company; and
- No Notice Period.

**Mark Bojanjac - Non-Executive Director**

- Directors Fees of $60,000 per annum;
- Statutory superannuation contributions;
- Eligible to participate in the long-term incentive schemes offered by the Company; and
- No Notice Period.

**Ian Clyne - Non-Executive Director**

- Directors Fees of $60,000 per annum;
- Statutory superannuation contributions;
- Eligible to participate in the long-term incentive schemes offered by the Company; and
- No Notice Period.

**Colin Gilligan - Non-Executive Director**

- Directors Fees of $60,000 per annum;
- Statutory superannuation contributions;
- Eligible to participate in the long-term incentive schemes offered by the Company; and
- No Notice Period.

**Ron Heeks – Managing Director**

- Consulting Fees of $330,000 per annum;
- Eligible to participate in the long-term incentive schemes offered by the Company; and
- Six month notice period plus an additional one month for each year of service.

**Philippa Leggat – Executive Director - Corporate**

- Salary of $210,000 per annum;
- Eligible to participate in the long-term incentive schemes offered by the Company; and
- Four month notice period plus an additional one month for each year of service.

### Short-term Incentives

No bonus payments were made to Directors of the Company or other KMP of the Group during the period and all potential benefits under the short term incentive plan were forfeited.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Long-term Incentives - Sharebased Compensation

#### Options

Options over ordinary shares in the Company were provided as remuneration to Directors of the Company and KMP of the Group during the year as per the Securities Incentive Plan, which was approved by shareholders at the Company's AGM held on 30 May 2018. The following table outlines the Options granted or vested to the Directors of the Company and other KMP of the Group.

| 2018 | Instru-ment | Year | Options granted during the year | Grant date | Fair value per option at grant date | Value of option at grant date ($) | Vesting date | Exercise price | Expiry date | Options vested/ lapsed during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| Non-Executive Directors | | | | | | | | | | |
| I Clyne | ZEPO | 2018 | 750,000 | 30-May-18 | $0.030 | 22,500 | 10-Jul-19 | $0.00 | 10-Jul-19 | - |
| Executive Directors | | | | | | | | | | |
| R Heeks | ZEPO | 2017 | 94,444 | 30-May-18 | $0.030 | 2,834 | 10-Jul-19 | $0.00 | 10-Jul-19 | - |
| R Heeks | ZEPO | 2018 | 94,444 | 30-May-18 | $0.030 | 2,834 | 10-Jul-19 | $0.00 | 10-Jul-19 | |
| R Heeks | ZEPO | 2018 | 5,521,875 | 30-May-18 | $0.030 | 165,656 | 10-Jul-21 | $0.00 | 10-Jul-21 | - |
| R Heeks | PEPO | 2018 | 4,882,500 | 30-May-18 | $0.016 | 78,120 | 10-Jul-22 | $0.0408 | 10-Jul-22 | - |
| P Leggat | ZEPO | 2017 | 1,747,222 | 30-May-18 | $0.030 | 52,417 | 10-Jul-19 | $0.00 | 10-Jul-19 | - |
| P Leggat | ZEPO | 2018 | 1,747,222 | 30-May-18 | $0.030 | 52,417 | 10-Jul-19 | $0.00 | 10-Jul-19 | - |
| P Leggat | ZEPO | 2018 | 3,813,333 | 30-May-18 | $0.030 | 114,400 | 10-Jul-21 | $0.00 | 10-Jul-21 | - |
| P Leggat | PEPO | 2018 | 3,120,000 | 30-May-18 | $0.016 | 49,920 | 10-Jul-22 | $0.0408 | 10-Jul-22 | - |
| Other KMP | | | | | | | | | | |
| M Smith | ZEPO | 2017 | 1,747,222 | 3-Jul-18 | $0.030 | 52,417 | 10-Jul-19 | $0.00 | 10-Jul-19 | - |
| M Smith | ZEPO | 2018 | 1,747,222 | 3-Jul-18 | $0.030 | 52,417 | 10-Jul-19 | $0.00 | 10-Jul-19 | - |
| M Smith | ZEPO | 2018 | 3,813,333 | 3-Jul-18 | $0.030 | 114,400 | 10-Jul-21 | $0.00 | 10-Jul-21 | - |
| M Smith | PEPO | 2018 | 3,120,000 | 3-Jul-18 | $0.016 | 49,920 | 10-Jul-22 | $0.0408 | 10-Jul-22 | - |
| G Zamudio | ZEPO | 2017 | 1,747,222 | 3-Jul-18 | $0.030 | 52,417 | 10-Jul-19 | $0.00 | 10-Jul-19 | - |
| G Zamudio | ZEPO | 2018 | 1,747,222 | 3-Jul-18 | $0.030 | 52,417 | 10-Jul-19 | $0.00 | 10-Jul-19 | - |
| G Zamudio | ZEPO | 2018 | 3,813,333 | 3-Jul-18 | $0.030 | 114,400 | 10-Jul-21 | $0.00 | 10-Jul-21 | - |
| G Zamudio | PEPO | 2018 | 3,120,000 | 3-Jul-18 | $0.016 | 49,920 | 10-Jul-22 | $0.0408 | 10-Jul-22 | - |
| J Kerr | ZEPO | 2017 | 1,747,222 | 3-Jul-18 | $0.030 | 52,417 | 10-Jul-19 | $0.00 | 10-Jul-19 | - |
| J Kerr | ZEPO | 2018 | 1,747,222 | 3-Jul-18 | $0.030 | 52,417 | 10-Jul-19 | $0.00 | 10-Jul-19 | - |
| J Kerr | ZEPO | 2018 | 3,813,333 | 3-Jul-18 | $0.030 | 114,400 | 10-Jul-21 | $0.00 | 10-Jul-21 | - |
| J Kerr | PEPO | 2018 | 3,120,000 | 3-Jul-18 | $0.016 | 49,920 | 10-Jul-22 | $0.0408 | 10-Jul-22 | - |

All options were issued on 3 July 2018. The grant date differs for the directors to comply with the accounting standards.

The fair value of the Options is measured at grant date and allocated equally over the period from grant date to vesting date. This allocation is reflected in the Share Based Payments column of the remuneration tables above.

The fair value at grant date was determined by a combination of internal and external sources using a Black-Scholes option pricing model and independent third party valuations.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Long-term Incentives - Sharebased Compensation (continued)

#### Share Appreciation Rights

Share Appreciation Rights over ordinary shares in the Company were granted as remuneration to Directors of the Company and KMP of the Group during the year as per the Securities Incentive Plan, which was approved by shareholders at the Company's AGM held on 30 May 2018. The following table outlines the Share Appreciation Rights granted or vested to the Directors of the Company and other KMP of the Group.

| 2018 | Instru-ment | Year | Rights granted during the year | Grant date | Fair value per right at grant date | Value of right at grant date ($) | Vesting date | Exercise price | Expiry date | Rights vested/ lapsed during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| Executive Directors | | | | | | | | | | |
| R Heeks | SAR | 2018 | 4,838,214 | 30-May-18 | $0.018 | 87,088 | 10-Jul-21 | $0.0285 | 10-Jul-22 | - |
| P Leggat | SAR | 2018 | 3,565,714 | 30-May-18 | $0.018 | 64,183 | 10-Jul-21 | $0.0285 | 10-Jul-22 | - |
| Other KMP | | | | | | | | | | |
| M Smith | SAR | 2018 | 3,565,714 | 3-Jul-18 | $0.018 | 64,183 | 10-Jul-21 | $0.0285 | 10-Jul-22 | - |
| G Zamudio | SAR | 2018 | 3,565,714 | 3-Jul-18 | $0.018 | 64,183 | 10-Jul-21 | $0.0285 | 10-Jul-22 | - |
| J Kerr | SAR | 2018 | 3,565,714 | 3-Jul-18 | $0.018 | 64,183 | 10-Jul-21 | $0.0285 | 10-Jul-22 | - |

All share appreciations rights were issued on 3 July 2018. The grant date differs for the directors to comply with the accounting standards.

The fair value of the Share Appreciation Rights is measured at grant date and allocated equally over the period from grant date to vesting date. This allocation is reflected in the Share Based Payments column of the remuneration tables above.

The fair value at grant date was independently determined by a third party.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Equity Instrument Disclosures Relating to KMP

#### Options

Options over Ordinary Shares in the Company held during the financial year by Directors of the Company and other KMP of the Group.

| 2018 | Opening Balance 1 January 2018 | Granted During the Year | Exercised During the Year | Net Change Other | Held at Resignation | Closing Balance 31 December 2018 | Options Exercisable at 31 December 2018[i] |
|---|---|---|---|---|---|---|---|
| Directors | | | | | | | |
| M Jerkovic | - | - | - | - | - | - | - |
| M Bojanjac | - | - | - | - | - | - | - |
| I Clyne | - | 750,000 | - | - | - | 750,000 | 750,000 |
| C Gilligan | - | - | - | - | - | - | - |
| R Heeks | - | 10,593,263 | - | - | - | 10,593,263 | 10,593,263 |
| P Leggat | - | 10,427,777 | - | - | 10,427,777 | - | - |
| Subtotal | **-** | **21,771,040** | **-** | **-** | **10,427,777** | **11,343,263** | **11,343,263** |
| Other KMP | | | | | | | |
| M Smith | - | 10,427,777 | - | - | - | 10,427,777 | 10,427,777 |
| G Zamudio | - | 10,427,777 | - | - | - | 10,427,777 | 10,427,777 |
| J Kerr | - | 10,427,777 | - | - | - | 10,427,777 | 10,427,777 |
| Subtotal | - | **31,283,331** | **-** | **-** | **-** | **31,283,331** | **31,283,331** |
| TOTAL | - | **53,054,371** | **-** | **-** | **10,427,777** | **42,626,594** | **42,626,594** |

(i) Options exercisable at 31 December 2018 have not yet vested.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Share Appreciation Rights

Share Appreciation Rights over Ordinary Shares in the Company held during the financial year by Directors of the Company and other KMP of the Group.

| 2018 | Opening Balance 1 January 2018 | Granted During the Year | Exercised During the Year | Net Change Other | Held at Resignation | Closing Balance 31 December 2018 | Rights Exercisable at 31 December 2018[(i)] |
|---|---|---|---|---|---|---|---|
| Directors | | | | | | | |
| M Jerkovic | - | - | - | - | - | - | - |
| M Bojanjac | - | - | - | - | - | - | - |
| I Clyne | - | - | - | - | - | - | - |
| C Gilligan | - | - | - | - | - | - | - |
| R Heeks | - | 4,838,214 | - | - | - | 4,838,214 | 4,838,214 |
| P Leggat | - | 3,565,714 | - | - | 3,565,714 | - | - |
| Subtotal | **-** | **8,403,928** | **-** | **-** | **3,565,714** | **4,838,214** | **4,838,214** |
| Other KMP | | | | | | | |
| M Smith | - | 3,565,714 | - | - | - | 3,565,714 | 3,565,714 |
| G Zamudio | - | 3,565,714 | - | - | - | 3,565,714 | 3,565,714 |
| J Kerr | - | 3,565,714 | - | - | - | 3,565,714 | 3,565,714 |
| Subtotal | **-** | **10,697,142** | **-** | **-** | **-** | **10,697,142** | **10,697,142** |
| TOTAL | **-** | **19,101,070** | **-** | **-** | **3,565,714** | **15,535,356** | **15,535,356** |

(i) Rights exercisable at 31 December 2018 have not yet vested.

## 18 REMUNERATION REPORT – AUDITED (CONTINUED)

### Ordinary Shares

The number of Ordinary Shares in the Company held during the financial year by each Director of the Company and other KMP of the Group, including their personally related parties, are as follows:

| 2018 | Opening Balance 1 January 2018 | Issued on Vesting of Performance Rights | Shares Acquired on Market | Held at Resignation | Closing Balance 31 December 2018 |
|---|---|---|---|---|---|
| Directors | | | | | |
| M Jerkovic | 10,418,899 | - | 2,777,778 | - | 13,196,677 |
| M Bojanjac | 3,416,666 | - | - | - | 3,416,666 |
| I Clyne | 2,400,000 | - | - | - | 2,400,000 |
| C Gilligan | - | - | - | - | - |
| R Heeks | 7,523,757 | - | 1,244,861 | - | 8,768,618 |
| P Leggat | - | - | - | - | - |
| Subtotal | **23,759,322** | **-** | **4,022639** | **-** | **27,781,961** |
| Other KMP | | | | | |
| M Smith | - | - | - | - | - |
| G Zamudio | 1,000,000 | - | - | - | 1,000,000 |
| J Kerr | - | - | - | - | - |
| Subtotal | **1,000,000** | **-** | **-** | **-** | **1,000,000** |
| TOTAL | **24,759,322** | **-** | **4,022639** | **-** | **28,781,961** |

### Transaction with directors, director related entities and other related parties

During the year ended 31 December 2018 the Group did not enter into any related party transactions with directors (2017: $98,673).

## END OF REMUNERATION REPORT

The Directors Report, including the Remuneration Report, is signed in accordance with a resolution of the Directors:

**Ron Heeks**

Managing Director

Perth, Australia

22 March 2019

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## Auditor's Independence Declaration to the Directors of Geopacific Resources Limited

As lead auditor for the audit of the financial report of Geopacific Resources Limited for the financial year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Geopacific Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
22 March 2019



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# Independent Auditor's Report to the Members of Geopacific Resources Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Geopacific Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the year ended on that date; and

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

### Basis for Opinion

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

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

### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

**1. Carrying value of capitalised exploration and evaluation assets**

| Why significant | How our audit addressed the key audit matter |
|---|---|
| At 31 December 2018 the Group held capitalised exploration and evaluation assets of $37.5 million. During the year then ended, the Group recorded an impairment loss of $43.3 million for the Kou Sa area of interest as described in Notes 3 and 14.<br><br>The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation expenditure for an area of interest may exceed its recoverable amount.<br><br>The determination as to whether there are any indicators to require an area of interest for capitalised exploration and evaluation assets to be assessed for impairment, involves a number of judgments including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the relevant area of interest is not commercially viable.<br><br>The Group determined that there were impairment indicators present in respect of the Kou Sa area of interest at 31 December 2018. As detailed in Note 14, the directors estimated that this project's recoverable amount exceeded its carrying value by $43.3 million and hence this amount was recorded as an impairment loss for the year ended 31 December 2018.<br><br>We considered this to be a key audit matter because significant judgement is required when estimating the determination of recoverable amount, in relation to:<br><br>▸ underlying reserves and resources<br><br>▸ multiples associated with comparable project transactions. | We considered and challenged the Group's assessment as to whether there were impairment indicators present that required the areas of interest for capitalised exploration and evaluation assets to be tested for impairment as at 31 December 2018.<br><br>In performing our procedures, we:<br><br>▸ Considered whether the Group's right to explore was current, which included obtaining and assessing supporting documentation such as license agreements<br><br>▸ Considered the Group's intention to carry out significant ongoing exploration and evaluation activities in the relevant areas of interest which included reviewing the Group's Board approved cash-flow forecast and enquiring of senior management and Directors as to their intentions and the strategy of the Group<br><br>▸ Assessed whether exploration and evaluation data existed to indicate that the carrying value of exploration and evaluation assets was unlikely to be recovered through development or sale.<br><br>Where impairment indicators were identified we assessed the key assumptions used in determining recoverable amount. This included consideration of resource multiples for comparable projects from external transactions. Our valuation specialists assisted us in this assessment.<br><br>We assessed the adequacy of the disclosures in Note 14 of the financial report. |



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2. Carrying value of discontinued operations

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| At 31 December 2018 the Group held assets classified as held for sale of $0.15 and recorded an impairment loss of $7.0 million in respect of its discontinued operations as described in Notes 3 and 12. These operations were initially classified as a discontinued operation in the prior financial year.<br><br>Australian Accounting Standards set out a number of requirements before an operation is able to be classified as a discontinued operation. Where an operation qualifies to be classified as a discontinued operation, the net assets within that operation are disclosed as assets held for sale. Assets classified as held for sale are required to carried at the lower of carrying value or fair value less disposal costs.<br><br>The Group determined that the fair value less disposal costs of the assets held for sale were lower than their associated carrying value by $7.0 million, requiring an impairment loss of this amount for the year ended 31 December 2018.<br><br>We considered this to be a key audit matter as significant judgement was involved in determining:<br><br>► whether the operation met the requirements to be classified as a discontinued operation; and<br><br>► the estimated fair value less disposal costs of assets classified as held for sale. | We challenged the Group's assessment that the operations identified as discontinued operations in the prior year continued to be appropriately classified as such under Australian Accounting Standards.<br><br>We assessed the Group's determination of fair value less disposal costs to ensure that it was supportable.<br><br>We assessed the adequacy of the disclosures in Note 12 of the financial report. |

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Review of Operations and Directors' Report that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 on the other information obtained prior to the date of this auditor's report, 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.

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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.

## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 28 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Geopacific Resources Limited for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
Perth
22 March 2019



PD:DA:GEOPACIFIC:004

In accordance with a resolution of the Directors of Geopacific Resources Limited, I declare that:

1. In the opinion of the Directors:

   (a) the financial statements and notes, of Geopacific Resources Limited for the financial year ended 31 December 2018 are 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 performance for the year ended on that date; and
      (ii) complying with Accounting Standards and *Corporations Regulations 2001*.

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

   (c) Subject to the matters disclosed in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2018.

On behalf of the Board

Ron Heeks
Managing Director

Perth, Australia
22 March 2019

| | Note | Consolidated 2018 $ | Consolidated 2017 $ Restated |
|---|---|---|---|
| **Finance Income** | 6 | **64,013** | 104,313 |
| Administration expenses | | **(275,809)** | (394,158) |
| Consultancy expense | | **(1,162,501)** | (1,133,527) |
| Depreciation expense | 16 | **(36,121)** | (26,952) |
| Employee benefits expense | | **(1,572,695)** | (1,234,397) |
| Share based payments | 26 | **(709,371)** | - |
| Occupancy expenses | | **(170,167)** | (152,448) |
| Discount unwind | 17 | **(1,123,578)** | (831,726) |
| Impairment write downs | | **(44,230,355)** | - |
| **Loss before income tax** | | **(49,216,584)** | (3,668,895) |
| Income tax benefit/(expense) | 9 | **474,749** | (28,395) |
| **Loss after tax from continuing operations** | | **(48,741,835)** | (3,697,290) |
| Loss after tax from discontinued operation (attributable to equity holders of the company) | 32 | **(5,008,824)** | (345,621) |
| **Loss for the period** | | **(53,750,659)** | (4,042,911) |
| **Income/(loss) for the year attributable to:** | | | |
| Non-controlling interest | | **(80,466)** | (32,399) |
| Owners of the parent | | **(53,670,193)** | (4,010,512) |
| | | **(53,750,659)** | (4,042,911) |
| **Other comprehensive income/(loss)** | | | |
| ***Items of other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax)*** | | | |
| Exchange differences on translating foreign controlled entities | | **4,708,862** | (1,810,198) |
| **Other comprehensive income/(loss) for the year, net of tax** | | **4,708,862** | (1,810,198) |
| **Total comprehensive loss for the year attributable to members of the parent entity** | | **(49,041,797)** | (5,853,109) |

| | Note | Consolidated 2018 $ | Consolidated 2017 $ Restated |
|---|---|---|---|
| **Total comprehensive income/(loss) attributable to:** | | | |
| Non-controlling interest | | **27,245** | 52,894 |
| Owners of the parent | | **(49,069,042)** | (5,906,003) |
| | | **(49,041,797)** | (5,853,109) |
| Loss per share (cents) for loss from continuing operations attributable to the ordinary equity holders of the company: | | | |
| Basic earnings per share | 27 | **(2.49)** | (0.27) |
| Diluted earnings per share | 27 | **(2.49)** | (0.27) |
| Loss per share (cents) for loss attributable to the ordinary equity holders of the company: | | | |
| Basic loss per share | 27 | **(2.74)** | (0.29) |
| Diluted loss per share | 27 | **(2.74)** | (0.29) |

**The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.**

| | Note | Consolidated 2018 $ | 2017 $ Restated | 2016 $ Restated |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and cash equivalents | 10 | **3,059,221** | 6,765,343 | 11,469,015 |
| Receivables | 11 | **316,617** | 155,540 | 2,265,486 |
| Assets classified as held for sale | 12 | **149,388** | 4,831,070 | - |
| Inventory | 13 | **242,771** | 280,802 | - |
| **Total Current Assets** | | **3,767,997** | 12,032,755 | 13,734,501 |
| **Non-Current Assets** | | | | |
| Receivables | 11 | **-** | 602,503 | - |
| Exploration and evaluation expenditure | 14 | **37,494,025** | 67,389,026 | 37,039,623 |
| Prepayment | | **-** | - | 13,679,845 |
| Property, plant and equipment | 16 | **841,611** | 696,016 | 100,063 |
| **Total Non-Current Assets** | | **38,335,636** | 68,687,545 | 50,819,531 |
| **TOTAL ASSETS** | | **42,103,633** | 80,720,300 | 64,554,032 |
| **Current Liabilities** | | | | |
| Trade and other payables | 17 | **3,236,829** | 1,797,045 | 573,122 |
| Provisions | 18 | **135,569** | 317,144 | 10,184 |
| **Total Current Liabilities** | | **3,372,398** | 2,114,189 | 583,306 |
| **Non-Current Liabilities** | | | | |
| Deferred tax liabilities | 9 | **-** | 474,749 | 2,218,897 |
| Trade and other payables | 17 | **3,852,972** | 4,622,793 | 4,034,468 |
| Provisions | 18 | **192,548** | 173,714 | - |
| **Total Non-Current Liabilities** | | **4,045,520** | 5,271,256 | 6,253,365 |
| **TOTAL LIABILITIES** | | **7,417,918** | 7,385,445 | 6,836,671 |
| **NET ASSETS** | | **34,685,715** | 73,334,855 | 57,717,361 |
| **Equity** | | | | |
| Issued capital | 19 | **104,116,108** | 94,432,822 | 74,671,129 |
| Reserves | 20 | **5,790,853** | (383,128) | 1,427,070 |
| Accumulated losses | | **(76,061,543)** | (22,391,350) | (18,380,838) |
| **Total equity attributable to equity holders** | | **33,845,418** | 71,658,344 | 57,717,361 |
| Non-controlling interest | | **840,297** | 1,676,511 | - |
| **Total Equity** | | **34,685,715** | 73,334,855 | 57,717,361 |

**The above consolidated statement of financial position should be read**

| Consolidated | Issued Capital $ | Share Based Payments Reserve $ | Foreign Currency Translation Reserve $ | Other Equity Reserve $ | Accumulated Losses $ | Total Attributable to Owners of Parent $ | Non-Controlling Interest $ | Total Equity $ |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2018 | 94,432,822 | 789,838 | (1,172,966) | - | (22,391,350) | 71,658,344 | 1,676,511 | **73,334,855** |
| Profit/(loss) for the year | - | - | - | - | (53,670,193) | (53,670,193) | (80,466) | **(53,750,659)** |
| Exchange difference on translation of foreign operations | - | - | 4,708,862 | - | - | 4,708,862 | - | **4,708,862** |
| Total comprehensive income/(loss) for the year | - | - | 4,708,862 | - | (53,670,193) | (48,961,331) | (80,466) | **(49,041,797)** |
| Transactions with owners in their capacity as owners | | | | | | | | |
| Shares issued during the year | 10,080,000 | - | - | - | - | 10,080,000 | - | **10,080,000** |
| Share issue costs | (396,714) | - | - | - | - | (396,714) | - | **(396,714)** |
| Transfer to other reserve | - | - | - | 755,748 | - | 755,748 | (755,748) | **-** |
| Share based payments | - | 709,371 | - | - | - | 709,371 | - | **709,371** |
| **At 31 December 2018** | **104,116,108** | **1,499,209** | **3,535,896** | **755,748** | **(76,061,543)** | **33,845,418** | **840,297** | **34,685,715** |
| | | | | | | | | |
| At 1 January 2017 | 74,671,129 | 789,838 | 637,232 | - | (18,185,657) | 57,912,542 | - | 57,912,542 |
| Prior period restatement | - | - | - | - | (195,181) | (195,181) | - | (195,181) |
| At 1 January 2017 (restated) | 74,671,129 | 789,838 | 637,232 | - | (18,380,838) | 57,717,361 | - | 57,717,361 |
| Profit/(loss) for the year | - | - | - | - | (4,010,512) | (4,010,512) | (32,399) | (4,042,911) |
| Exchange difference on translation of foreign operations | - | - | (1,810,198) | - | - | (1,810,198) | - | (1,810,198) |
| Total comprehensive income/(loss) for the year | - | - | (1,810,198) | - | (4,010,512) | (5,820,710) | (32,399) | (5,853,109) |
| Transactions with owners in their capacity as owners | | | | | | | | |
| Shares issued during the year | 20,369,749 | - | - | - | - | 20,369,749 | - | 20,369,749 |
| Share issue costs | (608,056) | - | - | - | - | (608,056) | - | (608,056) |
| Acquisition of subsidiaries | - | - | - | - | - | - | 1,708,910 | 1,708,910 |
| At 31 December 2017 | 94,432,822 | 789,838 | (1,172,966) | - | (22,391,350) | 71,658,344 | 1,676,511 | 73,334,855 |

**The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.**

| | Note | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | **(3,580,837)** | (4,037,087) |
| Interest received | | **64,013** | 104,313 |
| **Net Cash Used In Operating Activities** | 31(b) | **(3,516,824)** | (3,932,774) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for plant and equipment | | **(246,401)** | (30,029) |
| Exploration expenditure | | **(9,626,184)** | (11,062,437) |
| Cash acquired on acquisition of a subsidiary | | **-** | 254,605 |
| **Net Cash Used In Investing Activities** | | **(9,872,585)** | (10,837,861) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from share issues (net of costs) | | **9,683,287** | 10,066,962 |
| **Net Cash From Financing Activities** | | **9,683,287** | 9,985,784 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(3,706,122)** | (4,703,673) |
| Cash and cash equivalents at beginning of the financial year | | **6,765,343** | 11,469,016 |
| **CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR** | | **3,059,221** | 6,765,343 |

The above table presents comparative information where required for consistency with the current year's presentation.

**The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.**

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Geopacific Resources Limited ("the Company" or "Geopacific") is an Australian Securities Exchange listed public company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 31 December 2018 comprises the Company and its controlled entities (together referred to as the 'Group'). The registered office is located at 278 Stirling Highway, Claremont, 6010.

The Group is principally engaged in mineral development and exploration focussed on gold and copper deposits in Papua New Guinea and Cambodia.

The financial report was authorised for issue by the directors on 22 March 2019.

### Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Compliance with Australian Accounting Standards ensures that the financial statements and the notes thereto also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

#### Going Concern

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

During the year ended 31 December 2018, the Group incurred a net loss after tax of $53,750,659 (2017: $4,042,911) and had cash outflows from operations of $3,516,824 (2017: $3,932,774).

Whilst the Group has cash on hand of $3,059,221 (2017: $6,765,343) at 31 December 2018, the Group's cash flow forecast for the year ended 31 December 2019 reflects that the Group will require additional funding over that period in order to meet the Group's committed expenditure.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Going Concern (continued)

The Directors have considered the funding and operational status of the business in arriving at their assessment of going concern and believe that the going concern basis of preparation is appropriate based on:

- The Group's ability to raise funds from external sources to meet ongoing development, exploration and working capital requirements, as demonstrated by the capital raising of $10.1 million during the year ended 31 December 2018;
- The Group's ability to manage the timing of cash flows to meet the obligations of the business as and when they fall due; and
- The Group's ability to renegotiate the repayment terms of the deferred consideration liability with a present value of $6.2 million owed for the purchase of the Kou Sa Project, as the Group has previously renegotiated the repayment terms in September 2016 and is confident that it can do so again (see Note 17).

Notwithstanding the above, these conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in this financial report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

### New and amended Accounting Standards and Interpretations adopted during the year

The Group has adopted all Accounting Standards and Interpretations effective from 1 January 2018, including:

### AASB 9 Financial Instruments (AASB 9)

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces parts of AASB 139 Financial Instruments: Recognition and Measurement (AASB 139), bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 January 2018 (see note 1(d) for details of the new accounting policy for financial assets).

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### New and amended Accounting Standards and Interpretations adopted during the year (continued)

*Measurement and classification*

Under AASB 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under AASB 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the Group's business model for managing the assets, and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the SPPI criterion).

At date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 January 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 January 2018 as follows:

| Class of financial instrument presented in the statement of financial position | Original measurement category under AASB 139 (i.e. prior to 1 January 2018) | New measurement category under AASB 9 (i.e. from 1 January 2018) | Carrying value at 31 December 2017 under AASB 139 |
|---|---|---|---|
| Cash at bank and on hand | Loans and receivables | Financial assets at amortised cost | $6,765,343 |
| Receivables | Loans and receivables | Financial assets at amortised cost | $758,043 |
| Trade and other payables | Financial liabilities at amortised cost | Financial liabilities at amortised cost | $6,419,838 |

The change in classification of financial instruments has not resulted in any re-measurement adjustments at 1 January 2018.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### New and amended Accounting Standards and Interpretations adopted during the year (continued)

*Impairment of financial assets*
In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss (ECL) if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

At 1 January 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. Based on historical and expected losses, the application of the ECL model had no significant impact on the Group. The result of the assessment is as follows:

| Items existing at 1 January 2018 that are subject to the impairment provisions of AASB 9 | Credit risk attributes | Cumulative additional loss allowance recognised on 1 January 2018 ($) |
|---|---|---|
| Cash at bank and short-term deposits | All balances are assessed to have low credit risk as they are either on demand or have short term maturities and held with reputable financial institutions with high credit ratings. | - |
| Receivables | The Group has applied the simplified approach and concluded that the lifetime ECL for these assets would be negligible due to the short term maturity and therefore no additional loss allowance was required at 1 January 2018. | - |

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### New and amended Accounting Standards and Interpretations adopted during the year (continued)

*Hedge accounting*
The Group has not applied hedge accounting.

#### AASB 15 Revenue from Contracts with Customers (AASB 15)

The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 15, the Group has adopted the standard using the full retrospective approach.

AASB 15 supersedes AASB 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standards establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

At 1 January 2018 it was determined that the adoption of AASB 15 had no impact on the Group.

### New and Amended Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting year ended 31 December 2018 are outlined in the table below. The potential effect of these Standards is yet to be fully determined.

<table>
<tr><th rowspan="2">Reference</th><th rowspan="2">Title</th><th rowspan="2">Summary</th><th colspan="2">Application date</th></tr>
<tr><th>of standard*</th><th>for Group</th></tr>
<tr><td>AASB 16</td><td>Leases</td><td>The key features of AASB 16 are as follows:<br>Lessee accounting<br>• Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.<br>• Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.<br>• AASB 16 contains disclosure requirements for lessees.<br>Lessor accounting<br>• AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.<br>• AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor’s risk exposure, particularly to residual value risk.<br>AASB 16 supersedes:<br>a) AASB 117 Leases<br>b) Interpretation 4 Determining whether an Arrangement contains a Lease<br>c) SIC-15 Operating Leases—Incentives<br>d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease<br>The new standard will be effective for annual periods beginning on or after 1 January 2019.</td><td>1 January 2019</td><td>1 January 2019</td></tr>
</table>

## Significant accounting policies

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### (a) Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at bank and on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### (b) Share Capital

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 from the proceeds.

### (c) Employee benefits

#### Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be wholly settled within 12-months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. The liabilities are measured at the amounts expected to be paid when they are settled. All other amounts are considered other long term benefits for measurement purposes and are measured at the present value of expected future payments to be made in respect to services provided by employees.

#### Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made, in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### Superannuation

The Group makes contributions on behalf of its employees to complying superannuation funds in accordance with the rates outlined by the statutory regulations.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Employee benefits (continued)

#### Share-based payments

The fair value of options and rights granted to Directors and employees is recognised as a share based payments expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or rights.

The fair value at grant date is determined by a combination of internal and external sources using a Black-Scholes option pricing model and independent third party valuations that take into account the exercise price, the term of the right or option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right or option.

The fair value of the options and rights granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options and rights that are expected to become exercisable. At each year end, the Company revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options or rights, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

### (d) Financial Instruments (new policy applied from 1 January 2018 due to adoption of AASB 9)

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

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Financial Instruments (new policy applied from 1 January 2018 due to adoption of AASB 9) (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost are measured at fair value through profit and loss.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Financial Instruments (new policy applied from 1 January 2018 due to adoption of AASB 9) (continued)

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs. In this regard, the Group recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date The lifetime ECL on these financial assets is estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtor, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other financial assets measured at amortised cost, the Group recognises lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to a 12 month ECL. The determination of the ECL includes both quantitative and qualitative information and analysis, based on the Group's historical experience and forward-looking information.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

### (e) Financial Instruments (policy applied pre 1 January 2018)

#### Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial Instruments (policy applied pre 1 January 2018) (continued)

#### Derecognition

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred. Financial liabilities are derecognised when the related obligations are either transferred, discharged or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Financial assets are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gain or losses are recognized in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest method.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to issued capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses within equity.

No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial Instruments (policy applied pre 1 January 2018) (continued)

#### Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

### (f) Foreign currency transactions and balances

#### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Geopacific Resources Limited's functional and presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

#### Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at reporting date; and
- income and expenses are translated at average exchange rates for the period.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Foreign currency transactions and balances (continued)

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of changes in equity. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

### (g) Goods and Services Tax (GST) & Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST or VAT, unless the GST or VAT incurred is not recoverable from the taxation authority. In this case, the GST or VAT 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 or VAT receivable or payable. The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST or VAT 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.

### (h) Impairment of non-financial assets

Non-financial assets are reviewed 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 of disposal 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 inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (i) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required. Separate joint venture entities providing joint venturers with an interest in net assets are classified as a joint venture and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

### (k) Loss per share

#### Basic loss per share

Basic loss per share is calculated by dividing the result attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (l) Mineral Tenements and Deferred Mineral Exploration Expenditure

Exploration and evaluation expenditure is carried forward as an asset when rights to tenure are current; and:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or by its sale; or
- exploration activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Mineral Tenements and Deferred Mineral Exploration Expenditure (continued)

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off or impaired in the year in which that assessment 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.

Immediate restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are treated as exploration and evaluation expenditure. Exploration activities resulting in future obligations in respect of restoration costs result in a provision to be made by capitalising the estimated costs, on a discounted basis, of restoration. The unwinding of the effect of the discounting on the provision is recorded as a finance cost in the statement of profit or loss and other comprehensive income.

### (m) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight-line or diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Plant and equipment 5% - 37.5%
- Computer software 25%
- Motor vehicles 25% - 33%
- Furniture and fittings 7% - 20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, at each reporting date.

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

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected to arise from the continued use of the asset.

Any gains or loss on the derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in the consolidated statement of profit or loss and other comprehensive income in the period the item is derecognised.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method as all inventory at year-end are parts and supplies, which are consumed in the normal course of operations.

Company policy is to recognise major stock items consisting of diesel, cements, chemicals, piping, lubricants and other fuel-based products as assets at period-end based on inventory counts conducted. Minor stock items consisting of small equipment parts, minor lubricants and other related materials are immediately expensed out and capitalised as part of deferred exploration expenditures which is included under intangible assets.

### (o) Principles of consolidation

The consolidated financial statements comprise the financial statements of Geopacific Resources Limited and its controlled entities, referred to collectively throughout these financial statements as the “Group”. Controlled entities are consolidated from the date on which control commences until the date that control ceases.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the controlled entities are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The balances and effects of transactions between controlled entities included in the consolidated financial statements have been fully eliminated.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Principles of consolidation (continued)

Non-controlling interest

Non-controlling interests are allocated their share of net profit or loss after tax in the consolidated statement of profit or loss and other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interests even if that results in a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

### (p) Assets held for sale

Assets and disposal groups are classified as 'held for sale' if their carrying amount is to be recovered principally through a sales transaction rather than through continuing use. The reclassification takes place when the assets are available for immediate sale and the sale is highly probably. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs of disposal. Assets held for sale are not depreciated or amortised.

### (q) Interest Revenue

Revenue is recognised as the interest accrues using the effective interest method.

### (r) Comparative figures

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

### (s) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

### (t) Provisions

Provisions are recognised when the Group has legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in statement of profit or loss and other comprehensive income.

## 2 FINANCIAL RISK MANAGEMENT

The Group has exposure to a variety of risks arising from its use of financial instruments. This note presents information about the Group's exposure to the specific risks, and the policies and processes for measuring and managing those risks. Further quantitative disclosures are included throughout this financial report. The Board of Directors have the overall responsibility for the risk management framework.

### (a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments.

The Directors do not consider that the Group's financial assets are subject to a material level of credit risk. Therefore, no disclosures are made.

#### Receivables

The Group has no listed investments and the current nature of the business activity does not result in trading receivables. The receivables that the Group recognises through the normal course of business are short term in nature. The risk of non-recovery of receivables from this source is considered to be negligible.

#### Cash deposits

The Group's primary banker is the ANZ Banking Group. The Group currently has no significant concentrations of credit risk. The Moody's credit rating of ANZ Banking Group is A1.

### (b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for resources to finance the Group's current and future operations, and consideration is given to the liquid assets available to the Group before commitment is made for future expenditure or investment.

### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising any return.

## 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

#### Foreign exchange risk

The Group operates in Australia, Papua New Guinea, Cambodia and Fiji and is exposed to foreign exchange risks arising from the fluctuation of the exchange rates of the Australian dollar, United States dollar, the Fijian dollar and the PNG Kina. The Group has no further material foreign currency dealings other than the above.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the functional currency of the Group entity in question. The Group does not have a formal foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

#### Interest rate risk

The Group does not have significant interest bearing assets and the Group's income and operating cash flows are not materially exposed to changes in market interest rates. The assets are short term interest bearing deposits. No financial instruments have been used to mitigate risk (Note 30 – Financial Instruments).

### (d) Capital management

The Board's policy is to maintain a sound capital base, defined as equity, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors capital expenditure and cash flows as mentioned in (b).

The objective when managing capital is to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting. Neither the Company nor any of its controlled entities are subject to externally imposed capital requirements.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

### Key judgments

#### Exploration and evaluation expenditure

The Group's policy in relation to the accounting for exploration and evaluation expenditure is stated in Note 1(l). There is judgment involved in determining the treatment of exploration and evaluation expenditure, including, the interest rate to be applied to present value any deferred payments and in determining whether it should be carried forward as capitalised exploration, or written off to the consolidated statement of profit or loss and comprehensive income.

The Board and management give due consideration to the areas of interest relating to the exploration and evaluation expenditure on a regular basis and are confident that decisions to either write off or carry forward such expenditure reflect fairly the prevailing situation. In the year ended 31 December 2018, $43,306,477 has been written off in relation to the Kou Sa Project (2017: nil).

#### Assets held for sale

Assets held for sale are measured at the lower of cost and fair value less estimated costs of sale. If the fair value at reporting date is lower than the carrying value, an impairment for the difference is recognised in the Group's financial report.

During the year the decision was made not to renew the Raki Raki, Qalau, Tabuka, Cakaudrove and Nuku licences. In light of these circumstances, a full write down to the carrying value of the capitalised expenditure for the above mentioned licences was booked at 30 June 2018. The Board and management reviewed the remaining net assets of the Fiji group at 31 December 2018 and determined their fair value. As such a total impairment loss of $7,012,198 was recognised for the Fijian Group assets held for sale for the year ended 31 December 2018 (2017: nil).

At 31 December 2018 the net assets of the Fijian companies being sold was $149,388 as stated in Note 12.

### Key Estimates

#### Share based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by a combination of internal and external sources using a Black-Scholes option pricing model and independent third party valuations. Refer Note 26 for details of estimates and assumptions used.

## 4 PRIOR PERIOD RESTATEMENT

During the year, the Group identified that the Heads of Agreement revising the terms of the sale and purchase of the issued shares of Golden Resource Development Co had been superseded by an amended Agreement executed on 21 September 2016. The terms of the amended Agreement show that the deferred consideration payable had been incorrectly recorded in the Group's Financial Statements as at 31 December 2016 and 31 December 2017. Therefore, the Group's 2017 and 2016 consolidated financial statements contained a material error within the consolidated statement of financial position.

The Group's financial statements as at 31 December 2016 and 31 December 2017 disclosed the deferred consideration as a contingent liability as follows:

- Under the revised terms, one final payment of US$1.575 million is due at completion of a bankable feasibility study for the Kou Sa project, in addition to a 2% royalty on production capped at US$8.425 million.

The amended Agreement outlines the terms of the deferred consideration as follows:

- A US$1.575 million payment which is due on completion of a bankable feasibility study or three years from signing of the amended agreement (21 September 2019);
- A US$4.725 million payment which is due over 36 equal monthly instalments of US$131,250 from the date of the above payment of $1.575 million; and
- A net smelter royalty on sales of production from the Kou Sa Project capped at US$3.7 million.

The correct accounting treatment based on the terms of the amended Agreement, with the exception of the net smelter royalty, would be to record the deferred consideration as a non-current liability (rather than a contingent liability) in the 2017 and 2016 financial statements.

As a result as at 31 December 2017 and 1 January 2017, contingent liabilities were overstated by $4,622,793 (2016: $4,034,468) (US$6.3 million), the non-current liability balance was understated by $4,622,793 (2016: $4,034,468) and the non-current exploration and evaluation asset was understated by $3,607,661 (2016: $3,839,287).

The details of the restated prior period accounts are shown below:

## 4 PRIOR PERIOD RESTATEMENT (CONTINUED)

| | Consolidated | | |
|---|---|---|---|
| | 31 December 2017 $ Previously disclosed | $ Adjustment | 31 December 2017 $ Restated |
| **Consolidated statement of financial position** | | | |
| Exploration and evaluation expenditure | 63,781,365 | 3,607,661 | 67,389,026 |
| Total non-current assets | 65,079,884 | 3,607,661 | 68,687,545 |
| Total assets | 77,112,639 | 3,607,661 | 80,720,300 |
| Other non-current payables | - | 4,622,793 | 4,622,793 |
| Total non-current liabilities | 648,463 | 4,622,793 | 5,271,256 |
| Total liabilities | 2,762,652 | 4,622,793 | 7,385,445 |
| Net Assets | 74,349,987 | (1,015,132) | 73,334,855 |
| Reserves | (394,903) | 11,775 | (383,128) |
| Accumulated losses | (21,364,443) | (1,026,907) | (22,391,350) |
| Total equity attributable to equity holders | 72,673,476 | (1,015,132) | 71,658,344 |
| Total Equity | 74,349,987 | (1,015,132) | 73,334,855 |

## 4 PRIOR PERIOD RESTATEMENT (CONTINUED)

| | Consolidated | | |
|---|---|---|---|
| | 31 December 2017<br>$<br>Previously disclosed | $<br>Adjustment | 31 December 2017<br>$<br>Restated |
| **Consolidated statement of profit or loss and other comprehensive income** | | | |
| Discount unwind | - | (831,726) | (831,726) |
| Loss before income tax | (2,837,169) | (831,726) | (3,668,895) |
| Loss from continuing operations | (2,865,564) | (831,726) | (3,697,290) |
| Loss for the period | (3,211,185) | (831,726) | (4,042,911) |
| Loss attributable Owners of the parent | (3,178,786) | (831,726) | (4,010,512) |
| Exchange differences on translating foreign controlled entities | (1,821,973) | 11,775 | (1,810,198) |
| Total comprehensive loss for the year attributable to members of the parent entity | (5,033,158) | (819,951) | (5,853,109) |
| Owners of the parent | (5,086,054) | (819,951) | (5,906,003) |
| Earnings per share (cents) for profit from continuing operations attributable to the ordinary equity holders of the company: | | | |
| Basic earnings per share | (0.21) | (0.06) | (0.27) |
| Diluted earnings per share | (0.21) | (0.06) | (0.27) |
| Earnings per share (cents) for profit attributable to the ordinary equity holders of the company: | | | |
| Basic earnings per share | (0.23) | (0.06) | (0.29) |
| Diluted earnings per share | (0.23) | (0.06) | (0.29) |

## 5 PARENT COMPANY INFORMATION

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Accounting Standards.

| | Parent | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **STATEMENT OF FINANCIAL POSITION** | | |
| **Assets** | | |
| Current assets | **2,871,665** | 6,438,480 |
| Non-current assets | **29,978,189** | 72,788,266 |
| **Total Assets** | **32,849,854** | 79,226,746 |
| **Liabilities** | | |
| Current liabilities | **606,648** | 906,388 |
| Non-current liabilities | **-** | 789,122 |
| **Total Liabilities** | **606,648** | 1,695,510 |
| **Equity** | | |
| Issued capital | **104,116,108** | 94,432,822 |
| Reserves | **(668,985)** | (1,378,356) |
| Accumulated losses | **(71,203,917)** | (15,523,230) |
| **Total Equity** | **32,243,206** | 77,531,236 |
| **STATEMENT OF COMPREHENSIVE INCOME** | | |
| Total profit/(loss) | **(55,680,687)** | (2,516,894) |
| **TOTAL COMPREHENSIVE LOSS** | **(55,680,687)** | (2,516,894) |

### Guarantees

Geopacific Resources Limited has not entered into any guarantees, in relation to the debts of its subsidiaries. The Company has restricted cash of $132,000 (2017: $82,000) over the lease of its office premises and credit card facilities. This has been classified as receivables.

### Contingent liabilities

At 31 December 2018, Geopacific Resources Limited had no contingent liabilities (2017: nil).

### Contractual commitments

At 31 December 2018, Geopacific Resources Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2017: nil).

## 6 FINANCE INCOME

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Interest income – financial institutions | **64,013** | 104,313 |
| **Total finance income** | **64,013** | 104,313 |

## 7 LOSS BEFORE INCOME TAX

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Loss before income tax includes the following specific expenses: | | |
| Operating lease payments | **146,229** | 108,627 |
| Contributions to defined superannuation funds | **166,768** | 156,071 |
| **Total** | **312,997** | 264,698 |

## 8 REMUNERATION OF AUDITORS

The Auditor of Geopacific Resources Limited is Ernst & Young (2017: Greenwich and Co Audit Pty Ltd).

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Amounts received or receivable - Ernst & Young for: | | |
| - An audit or review of the financial report | **67,500** | 26,500 |
| **Total** | **67,500** | 26,500 |
| | | |
| Amounts received or receivable - Greenwich & Co Audit Pty Ltd for: | | |
| - An audit or review of the financial report | **12,091** | 30,000 |
| - Tax Services | **2,200** | 10,450 |
| **Total** | **14,291** | 40,450 |

## 9 INCOME TAX

### (a) The components of the income tax expense/(benefit) comprise:

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Current tax | **-** | - |
| Deferred tax | **(2,570,029)** | 292,838 |
| Total tax expense / (benefit) | **(2,570,029)** | 292,838 |
| | | |
| **Total tax (benefit)/expense is attributable to:** | | |
| Loss from continuing operations | **(474,749)** | 28,395 |
| (Loss)/profit from discontinued operation | **(2,095,280)** | 264,443 |
| **Total tax (benefit)/expense** | **(2,570,029)** | 292,838 |

### (b) Reconciliation of income tax to prima facie tax benefit:

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Net loss before tax | **(49,216,584)** | (2,837,168) |
| Loss from discontinued operation | **(7,104,104)** | (81,178) |
| | **(56,320,688)** | (2,918,346) |
| | | |
| Prima facie tax benefit at 30% (2017: 30%) | **(16,896,206)** | (875,504) |
| | | |
| **Adjusted for the tax effect of:** | | |
| Non-deductible share based payments | **212,811** | - |
| Other non-deductible expenses | **2,929** | 1,349 |
| Impairment charge | **13,269,107** | - |
| Tax losses not recognised | **841,330** | 1,118,655 |
| Foreign exchange on opening deferred tax balances | **-** | 48,338 |
| **Total tax expense/(benefit)** | **(2,570,029)** | 292,838 |

## 9 INCOME TAX (CONTINUED)

### (c) Deferred tax:

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **Deferred tax assets:** | | |
| Business related costs/employee entitlements | **59,547** | 366,489 |
| Tax losses | **9,315,183** | 7,020,993 |
| Total before offset | **9,374,730** | 7,387,481 |
| Offset by deferred tax liabilities | **(9,374,730)** | (7,387,481) |
| **Total deferred tax assets after offset** | **-** | - |
| | | |
| **Deferred tax liabilities:** | | |
| Exploration and evaluation expenditure | **9,374,730** | 7,862,230 |
| Total before offset | **9,374,730** | 7,862,230 |
| Offset by deferred tax assets | **(9,374,730)** | (7,387,481) |
| **Total deferred tax liabilities after offset** | **-** | 474,749 |

### (d) Deferred tax assets not recognised:

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Deferred tax assets not recognised | | |
| Tax losses not brought to account | **44,149,377** | 43,308,047 |
| Total tax assets | **44,149,377** | 43,308,047 |

Deferred tax assets relating to tax losses have only been recognised in Papua New Guinea to the extent of the deferred tax liability balance.

The deferred tax asset relating to the remainder of the Group have not been recognised in the current reporting period as the Director’s do not believe the realisation is probable at this point in time.

## 10 CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| **Current** | | |
| Cash at bank | **3,059,221** | 6,765,343 |
| **Total Cash and Cash Equivalents(i)** | **3,059,221** | 6,765,343 |

(i) Restricted cash was reclassified from cash and cash equivalents to receivables during the period, to better reflect the nature of the asset.

## 11 RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| **Current** | | |
| Security deposits | **142,417** | 9,577 |
| Sundry debtors | **64,805** | 84,009 |
| GST receivable | **34,112** | - |
| Loan receivable | **75,283** | 61,954 |
| **Total Current Trade and Other Receivables** | **316,617** | 155,540 |
| | | |
| **Non-Current** | | |
| VAT receivable | **-** | 602,503 |
| **Total Non-Current Trade and Other Receivables** | **-** | 602,503 |

### Write down

During the reporting period a write down of $750,642 was recorded in respect of the non-current VAT receivable which relates to the Group's Cambodian based subsidiaries. The board and management believe that due to the duration of receivable being outstanding, while opportunities remain for the recovery of the VAT receivable, material uncertainty exists on the timing and extent of the balance being refunded.

As a result, the balance of the non-current VAT receivable was fully written down in the current reporting period with the corresponding loss recorded in the write down expense.

## 12 ASSETS CLASSIFIED AS HELD FOR SALE

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **Current** | | |
| Assets held for sale | **149,388** | 4,831,070 |
| | | |
| **Movement during the year** | | |
| Carrying value - beginning of the year | **4,831,070** | - |
| Movement during the period | **235,236** | - |
| Impairment write down | **(7,012,198)** | - |
| Other net liabilities reversed | **2,095,280** | - |
| Transfer from exploration expenditure | **-** | 6,639,151 |
| Other net liabilities taken on | **-** | (1,808,081) |
| **Carrying value - end of the year** | **149,388** | 4,831,070 |

### Write down

During the reporting period the Company continued its efforts to divest the Groups operations in Fiji. While the sales process continued, the board and management scaled back activities in Fiji, which included the relinquishment of a number of non-core tenements during the period.

In accordance with the accounting standards, the Company conducted an assessment of the fair value less costs to sell of the Fiji Group's assets and liabilities. Due to the inherent difficulty in the estimation of the fair value of early stage exploration works, the board and management adopted a conservative position in determining the fair value less costs to sell by reference to the value of the realisable assets and liabilities of the Fiji Group.

As a result, a write down of $7.0M was recognised in the current reporting period against the Assets Held for Sale, with the corresponding loss recognised in the write down expense.

## 13 INVENTORY

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **Current** | | |
| Consumables | **165,542** | 280,802 |
| Kitchen stocks | **62,486** | - |
| Cleaning stocks | **8,331** | - |
| Medical stocks | **3,871** | - |
| Protective clothing | **2,541** | - |
| **Total** | **242,771** | 280,802 |

During the year ended 31 December 2018 there were consumables which expired and as such has no net realisable value. The full amount of PGK414,170 ($A173,235) was written off from inventory to write downs in the consolidated statement of comprehensive income.

## 14 EXPLORATION EXPENDITURE

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$<br>Restated |
| **Non-current** | **37,494,025** | 67,389,026 |
| | | |
| **Movement during the year** | | |
| Carrying value - beginning of the year | **67,389,026** | 37,039,623 |
| Acquired on acquisition of subsidiaries | **-** | 10,483,290 |
| Additions | **8,447,600** | 15,219,583 |
| Transfers from property, plant and equipment | **80,759** | 89,571 |
| Transfer from prepayments | **-** | 13,679,845 |
| Impairment write downs | **(43,306,477)** | - |
| Transfer to assets held for sale | **-** | (6,639,151) |
| Foreign exchange fluctuation | **4,883,117** | (2,483,735) |
| **Carrying value - end of the year** | **37,494,025** | 67,389,026 |

## 14 EXPLORATION EXPENDITURE (CONTINUED)

### Write down

In accordance with the accounting standards, the Company conducted an assessment to determine whether there were any indicators of impairment in relation to the carrying value of its capitalised exploration assets. On review, the board and management were of the view that indicators of impairment existed at balance date relating to the carrying value of exploration expenditure on the Group's Kou Sa Project in Cambodia.

In estimating the recoverable amount, a range of valuations were considered using available calculation methodologies including resource multiples and the cost approaches. In addition, the Company conducted a detailed assessment of all available commercial considerations regarding the Kou Sa Project.

As a result, a write down the of $43.3M was recognised in the current reporting period to the carrying value of capitalised exploration expenditure, with the corresponding loss recognised in the write down expense.

### Prior year restatement

As outlined in Note 17, during September 2016 the Company renegotiated the payment schedule with Vendor's for the acquisition of Golden Resource Development Co. Under the revised terms, the non-contingent instalments of the purchase price are to be paid as follows:

a) $US1.575 million due at completion of a bankable feasibility study for the Kou Sa Project, or by 21 September 2019, whichever is earlier; and

b) $US4.725 million paid in monthly instalments over three years after payment of the $US1.575 million.

Information regarding the prior period restatement is disclosed in Note 4.

### Transfer to assets held for sale

The Company confirmed its intention to divest its Fiji assets and an active program to locate a buyer for these assets commenced. The associated assets and liabilities were consequently transferred to assets held for sale as disclosed in Note 12.

## 15 JOINT ARRANGEMENTS

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **Interest in Joint Operations:** | | |
| Geopacific Resources Limited has a 50% interest in following Joint Venture with Peninsula Energy Limited: | | |
| Raki Raki (Fiji) Joint Venture | - | 962,004 |
| **Current Assets** | | |
| Assets classified as held for sale | - | 962,004 |
| **Total** | - | 962,004 |

The above Joint arrangement is a Fijian based projects that Geopacific holds that makes up part of the carrying value of the assets held for sale as disclosed in Note 12. A full write down to the carrying value of the capitalised exploration expenditure of this licence was recorded for the year ended 31 December 2018 as the licence was not renewed.

## 16 PLANT AND EQUIPMENT

| 2018 | Consolidated | | | |
|---|---|---|---|---|
| | Plant & Equipment $ | Computer Software $ | Furniture & Fittings $ | Total $ |
| Gross carrying amount – at cost | 4,760,940 | 144,760 | 1,088,081 | **5,993,781** |
| Less: accumulated depreciation | (4,573,037) | (141,980) | (437,153) | **(5,152,170)** |
| Balance | **187,903** | **2,780** | **650,928** | **841,611** |

| 2017 | Consolidated | | | |
|---|---|---|---|---|
| | Plant & Equipment $ | Computer Software $ | Furniture & Fittings $ | Total $ |
| Gross carrying amount – at cost | 4,578,146 | 144,754 | 891,296 | 5,614,196 |
| Less: accumulated depreciation | (4,396,797) | (135,197) | (386,186) | (4,918,180) |
| Balance | 181,349 | 9,557 | 505,110 | 696,016 |

| **Plant & Equipment Movement 2018** | Plant & Equipment $ | Computer Software $ | Furniture & Fittings $ | Total $ |
|---|---|---|---|---|
| Balance at 1 January 2018 | 181,349 | 9,557 | 505,110 | **696,016** |
| Additions | 71,061 | 114 | 175,226 | **246,401** |
| Transfers to exploration | (44,268) | - | (36,491) | **(80,759)** |
| Foreign exchange fluctuation | 4,106 | - | 11,968 | **16,074** |
| Depreciation | (24,345) | (6,891) | (4,885) | **(36,121)** |
| Balance at 31 December 2018 | **187,903** | **2,780** | **650,928** | **841,611** |

| **Plant & Equipment Movement 2017** | Plant & Equipment $ | Computer Software $ | Furniture & Fittings $ | Total $ |
|---|---|---|---|---|
| Balance at 1 January 2017 | 71,269 | 13,223 | 15,571 | **100,063** |
| Assets acquired on acquisition of subsidiary | 187,782 | - | 494,665 | **682,447** |
| Additions | 21,066 | 1,983 | 2,139 | **25,188** |
| Disposals | (1,520) | (112) | - | **(1,632)** |
| Transfers to assets held for sale | (11,311) | - | (3,755) | **(15,066)** |
| Transfers to exploration | (72,082) | - | (17,489) | **(89,571)** |
| Depreciation | (19,416) | (5,537) | (1,999) | **(26,952)** |
| Foreign exchange fluctuation | 5,561 | - | 15,978 | **21,539** |
| Balance at 31 December 2017 | **181,349** | **9,557** | **505,110** | **696,016** |

## 17 TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | **2018 $** | **2017 $ Restated** |
| **Current** | | |
| Trade creditors and accrued expenses | **844,874** | 1,797,045 |
| Deferred consideration | **2,391,955** | - |
| **Total** | **3,236,829** | 1,797,045 |
| | | |
| **Non-current** | | |
| Deferred consideration | **3,852,972** | 4,622,793 |
| **Total** | **3,852,972** | 4,622,793 |
| | | |
| **Deferred consideration movement during the year** | | |
| Carrying value - beginning of the year | **4,622,793** | 4,034,468 |
| Unwind of the discount | **1,123,578** | 831,726 |
| Foreign exchange fluctuation | **498,556** | (243,401) |
| **Carrying value - end of the year** | **6,244,927** | 4,622,793 |

In January 2015, the Company's subsidiary, Royal Australia Resources Ltd (RAR), entered into an agreement to acquire 100% of the issued capital of Golden Resource Development Co Ltd for $US14 million of which $US7.7 million has already been paid.

The Company renegotiated the payment schedule in relation to its agreement with the Vendors in September 2016. Under the revised terms, the non-contingent instalments of the purchase price are to be paid as follows:

a) $US1.575 million due at completion of a bankable feasibility study for the Kou Sa Project or by 21 September 2019, whichever is earlier; and

b) $US4.725 million paid in equal monthly instalments over three years after payment of the $US1.575 million.

The deferred consideration has been present valued using a discount cash rate at 31 December 2018 of 20% (2017: 20%).

Information regarding the prior period restatement relating to this deferred consideration arrangement is disclosed in Note 4.

## 18 PROVISIONS

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| **Current** | | |
| Employee provisions | **135,569** | 317,144 |
| **Total** | **135,569** | 317,144 |
| | | |
| **Non-current** | | |
| Rehabilitation provision | **178,183** | 173,714 |
| Employee provisions | **14,365** | - |
| **Total** | **192,548** | 173,714 |
| | | |
| **Movements** | | |
| **Rehabilitation provision** | | |
| Balance at 1 January | **173,714** | - |
| Acquire on acquisition | **-** | 173,714 |
| Foreign exchange fluctuation | **4,469** | - |
| **Balance at 31 December** | **178,183** | 173,714 |

## 19 ISSUED CAPITAL

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| **Issued Capital** | **104,116,108** | 94,432,822 |

### Reconciliation of movements in Issued Capital during the period:

| | Date | 2018 Shares | 2018 $ | 2017 Shares | 2017 $ |
|---|---|---|---|---|---|
| Balance at 1 January | | **1,801,907,130** | **94,432,822** | 1,155,743,584 | 74,671,129 |
| Shares issued per off-market takeover | 9-Aug-17 | - | - | 236,782,061 | 8,050,590 |
| Shares issued per off-market takeover | 17-Aug-17 | - | - | 13,685,836 | 479,004 |
| Shares issued pursuant to a Placement | 7-Sept-17 | - | - | 350,000,000 | 10,500,000 |
| Shares issued per off-market takeover | 15-Sept-17 | - | - | 15,366,076 | 430,250 |
| Shares issued pursuant Share Purchase Plan | 6-Oct-17 | - | - | 5,833,334 | 175,017 |
| Shares issued per off market takeover | 18-Oct-17 | - | - | 24,496,239 | 734,888 |
| Shares issued pursuant to a Placement | 18-Jun-18 | 280,000,000 | 10,080,000 | - | - |
| Less: share issue costs | | - | (396,714) | - | (608,056) |
| **Balance at 31 December** | | **2,081,907,130** | **104,116,108** | **1,801,907,130** | **94,432,822** |

## 20 RESERVES

| | Consolidated 2018 $ | Consolidated 2017 $ Restated |
|---|---|---|
| **(a) Reserves** | | |
| Share-based payments reserve | **1,499,209** | 789,838 |
| Foreign currency translation reserve | **3,535,896** | (1,172,966) |
| Other equity reserve | **755,748** | - |
| **Total** | **5,790,853** | (383,128) |
| | | |
| **(b) Movements** | | |
| **Share-based payments reserve** | | |
| Balance at 1 January | **789,838** | 789,838 |
| Share based payment expense (note 26) | **709,371** | - |
| **Balance at 31 December** | **1,499,209** | 789,838 |
| | | |
| **Foreign currency translation reserve** | | |
| Balance at 1 January | **(1,172,966)** | 637,232 |
| Exchange gains/(losses) during year | **4,708,862** | (1,810,198) |
| **Balance at 31 December** | **3,535,896** | (1,172,966) |
| | | |
| **Other equity reserve** | | |
| Balance at 1 January | **-** | - |
| Transfers during the year | **755,748** | - |
| **Balance at 31 December** | **755,748** | - |
| | | |
| **Total reserves** | **5,790,853** | (383,128) |

### (c) Nature and purpose of reserves

#### Share-based payments reserve

The share-based payments reserve records:

- the value of unexercised options issued to employees and Directors which has been expensed;
- the value of options issued on acquisition of Millennium Mining (Fiji) Ltd;
- the value of unexercised options granted pursuant to the Securities Incentive Plan which have been expensed; and
- the value of unexercised Share Appreciation Rights issued to employees and Directors which have been expensed.

#### Foreign currency translation reserve

The foreign currency translation reserve records unrealised exchange gains and losses on translation of Group's entities results and financial position where their functional currency is different to the Group's presentation currency.

#### Other equity reserve

The other equity reserve records transfers of interests to the Group from non-controlling interests.

## 21 CONTINGENT LIABILITIES

Kou Sa – Revised Repayment Schedule

In January 2015, the Company's subsidiary, Royal Australia Resources Ltd, entered into an agreement to acquire 100% of the issued capital of Golden Resource Development Co Ltd for $US14 million plus interest payments of US$1,275,750.

The Company renegotiated the payment schedule in relation to its agreement with the Vendors in September 2016. Other than the remaining non-contingent instalments of the purchase price to be paid as described in Notes 14 and 17, a 2% net smelter royalty on sales of production from the Kou Sa project is payable, capped at $US3.7 million. This royalty is conditional upon production from the Kou Sa project.

The Group did not have any other contingent liabilities at the end of the reporting period (2017: nil).

## 22 COMMITMENTS

### (a) Tenement Commitments

Entities in the Group are required to spend certain amounts to retain their interest in areas over which Special Prospecting Licenses are held. All requirements have been complied with and all reports and lodgements have been made. In the ordinary course of business, the Group is currently waiting on the reissue of certain licences by the Mineral and Resource Departments of Papua New Guinea.

The following table provides an outline of the annual expenditure required by tenement:

| Tenement | Location | Tenement Renewed to | Annual Commitment 2019 | Comments |
|---|---|---|---|---|
| EL 1172 | Papua New Guinea | 27-Nov-19 | 125,481 | Licence renewal lodged with authorities. Annual expenditure as budgeted. |
| EL 1279 | Papua New Guinea | 25-Aug-19 | 50,192 | Licence renewal lodged with authorities. Annual expenditure as budgeted. |
| EL 1465 | Papua New Guinea | 22-Dec-18 | 83,654 | Licence renewal lodged with authorities. Annual expenditure as budgeted. |

## 22 COMMITMENTS (CONTINUED)

### (a) Tenement Commitments (continued)

| Tenement | Location | Tenement Renewed to | Annual Commitment 2019 | Comments |
|---|---|---|---|---|
| SPL 1216 | Fiji | 2-Aug-19 | 39,732 | Under renewal application. Year 1 expenditure of FJD 60,000 pending Mines Department approval. |
| SPL 1231 | Fiji | 29-Nov-18 | - | Under relinquishment application. |
| SPL 1373 | Fiji | 29-Nov-18 | - | Under relinquishment application. |
| SPL 1436 | Fiji | 29-Nov-18 | - | Under relinquishment application. |
| SPL 1361 | Fiji | 14-Apr-19 | 132,442 | Renewed 24 April 2017. |
| SPL 1368 | Fiji | 14-Apr-19 | 132,442 | Renewed 24 April 2017. |
| SPL 1415 | Fiji | 12-Feb-19 | 49,666 | Currently under renewal application. Previous period had a two year expenditure of FJD$150,000. |
| SPL 1493 | Fiji | 29-Nov-18 | - | Under relinquishment application. |

The Group is also committed to spend US$505,000 in aggregate in the 2019 and 2020 calendar years on the Kou Sa project in Cambodia subject to pending licence renewals. During the 2017 – 2018 exploration period over US$3.1 million was spent on exploration expenditure in Cambodia. The Kou Sa licence, which expires in March 2019, is currently under renewal application for a further two year period. The final expenditure commitment is yet to be agreed upon by the Cambodian Ministry of Mines and Energy.

### (b) Operating Lease Commitments

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Payable – minimum lease payments:** | | |
| Payable not later than one year | **146,858** | 149,469 |
| Payable later than one year, but not later than five years | **126,447** | 275,673 |
| **Total** | **273,305** | 425,142 |

## 23 PARTICULARS RELATING TO CONTROLLED ENTITIES

### (a) Material Subsidiaries

| | Country of Incorporation and Carrying on Business | Class of Share | Effective Ownership Percentage 2018 % | 2017 % |
|---|---|---|---|---|
| Worldwide Mining Projects Pty Ltd | Australia | Ordinary | **100** | 100 |
| PT IAR Indonesia Ltd | Indonesia | Ordinary | **100** | 100 |
| Eastkal Pte Ltd | Singapore | Ordinary | **100** | 100 |
| Royal Australia Resources Ltd | Cambodia | Ordinary | **85** | 85 |
| Golden Resource Development | Cambodia | Ordinary | **100** | 100 |
| Geopacific Limited | Fiji | Ordinary | **100** | 100 |
| Beta Limited | Fiji | Ordinary | **100** | 100 |
| Millennium Mining (Fiji) Limited | Fiji | Ordinary | **100** | 100 |
| Woodlark Mining Limited | Papua New Guinea | Ordinary | **93** | 86 |
| Kula Gold Limited | Australia | Ordinary | **85** | 85 |

Worldwide Mining Projects Pty Ltd and Petrochemicals (Cambodia) Refinery Ltd entered into a Shareholders Agreement in December 2012 to explore, develop and hold the Kou Sa project. Petrochemicals (Cambodia) Refinery Ltd will be a free carried partner until a decision to mine on the Kou Sa project area is made.

In the event that a decision to mine is made, Petrochemicals (Cambodia) Refinery Ltd will be granted an option to purchase further shares in Royal Australia Resources Ltd at fair market value to increase its percentage shareholding to 20%; and contribute to all costs, expenses and liabilities incurred or sustained in proportion to its shareholding interest in Royal Australia Resources Ltd.

At 31 December 2018 Kula Gold Limited was entitled to a 49% (2017: 95%) interest in Woodlark Mining Limited resulting in Geopacific Resources Limited holding an indirect interest of 42% (2017: 81%) in Woodlark Mining Limited as well as being entitled to a 51% (2017: 5%) direct interest for a total interest of 93% (2017: 86%).

## 23 PARTICULARS RELATING TO CONTROLLED ENTITIES (CONTINUED)

### (b) Non-Controlling Interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

| | Woodlark Mining Limited | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **Summarised statement of financial position** | | |
| Current assets | **586,895** | 522,059 |
| Non-current assets | **31,989,173** | 24,197,018 |
| **Total Assets** | **32,576,068** | 24,719,077 |
| Current liabilities | **281,029** | 822,259 |
| Non-current liabilities | **19,979,046** | 12,352,829 |
| **Total Liabilities** | **20,260,075** | 13,175,088 |
| **Net Assets** | **12,315,993** | 11,543,989 |
| **Accumulated NCI** | **904,359** | 1,643,445 |
| **Summarised statement of comprehensive income** | | |
| Income | **-** | - |
| Profit / (Loss) for the period | **(233,150)** | (1,272,666) |
| Other comprehensive income | **1,466,866** | 569,163 |
| **Total comprehensive income** | **1,233,716** | (703,503) |
| **Profit allocated to NCI** | **89,536** | (100,153) |
| **Summarised cash flows** | | |
| Cash flows from operating activities | **(33,894)** | (258,129) |
| Cash flows from investing activities | **(7,460,869)** | (3,324,704) |
| Cash flows from financing activities | **7,601,442** | 3,707,698 |
| **Net increase/(decrease) in cash and cash equivalents** | **106,679** | 124,865 |

The comparative numbers represent the information from the date of acquisition on 9 August 2017 through to 31 December 2017.

## 24 KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Directors

Details of each person holding the position of Director of the Company during the current and prior reporting periods are outlined in the table below:

| Name | | Position |
|---|---|---|
| **Non-Executive Directors** | | |
| Milan Jerkovic | | Non-Executive Chairman |
| Mark Bojanjac | | Non-Executive Director |
| Ian Clyne | | Non-Executive Director |
| Colin Gilligan | (appointed 26 June 2018) | Non-Executive Director |
| **Executive Directors** | | |
| Ron Heeks | | Managing Director |
| Philippa Leggat | (resigned 10 September 2018) | Executive Director - Corporate |

### (b) Other Key Management Personnel (KMP)

Details of the Other KMP of the Group during the current and prior reporting periods are set out in the table below:

| Name | Position |
|---|---|
| **Executives** | |
| Matthew Smith | Chief Financial Officer & Company Secretary |
| Glenn Zamudio | General Manager - Projects |
| James Kerr | General Manager - Geology |

### (c) KMP Compensation

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **Key Management Personnel Compensation:** | | |
| Short term benefits | **1,280,000** | 1,335,692 |
| Post-employment benefits | **101,888** | 90,791 |
| Share based payments | **646,142** | - |
| Annual leave | **23,884** | 42,033 |
| Long term benefits | **4,360** | - |
| Termination payments | **140,000** | - |
| **Total** | **2,196,274** | 1,468,516 |

## 25 RELATED PARTY TRANSACTIONS

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Transactions with Key Management Personnel:** | | |
| Xavier Group Pty Ltd – Consulting Services | - | 98,673 |
| **Total** | - | 98,673 |

Xavier Group Pty Ltd is an entity in which the Company's Non-Executive Chairman, Mr M Jerkovic, is a Director and shareholder.

Xavier Group Pty Ltd provided corporate consulting services to the Company. All transactions with related parties are on normal commercial terms.

## 26 SHARE-BASED PAYMENTS

### (a) Employee Incentive Plan

The Company's Securities Incentive Plan was approved by shareholders at the AGM held on 30 May 2018. All employees are eligible to participate in the plan.

Instruments granted under the plan are issued for no consideration, carry no dividend or voting rights and when exercised convert into ordinary shares.

Included under share based payments expense in the statement of profit or loss and other comprehensive income is an amount of $709,371 (2017: nil) which relates to equity settled share based payments transactions issued under the plan.

All options granted to key management personnel are for ordinary shares in Geopacific Resources Limited, which confer a right of one ordinary share for every option held.

All Share Appreciation Rights granted to key management personnel are for ordinary shares in Geopacific Resources Limited, which confer an amount of shares equal to the difference between the Company's share price at the end of the vesting period and the price on grant date.

## 26 SHARE-BASED PAYMENTS

### (a) Employee Incentive Plan (continued)

During the reporting period the Company issued four types of incentives to employees. They were short term zero exercise price options (ZEPOs), medium term ZEPOs, premium exercise price options (PEPOs) and share appreciation rights (SARs). These incentives were granted on 3 July 2018 and were issued in accordance with the new securities incentive plan adopted at the Company's AGM on 30 May 2018. The vesting condition of each incentive is continuous employment (at Board discretion).

The incentives were valued by a combination of internal and external sources using a Black-Scholes option pricing model and independent third party valuations. The key inputs and valuations are summarised below:

| Item | 2017 Short Term ZEPOs | 2018 Short Term ZEPOs | Medium Term ZEPOs | PEPOs | SARs |
|---|---|---|---|---|---|
| Underlying share value | $0.030 | $0.030 | $0.030 | $0.030 | $0.030 |
| Exercise price | Nil | Nil | Nil | $0.0408 | $0.0285 |
| Valuation date[(i)] | 3-Jul-18 | 3-Jul-18 | 3-Jul-18 | 3-Jul-18 | 3-Jul-18 |
| Vesting date | 3-Jul-19 | 3-Jul-19 | 3-Jul-21 | 3-Jul-22 | 3-Jul-21 |
| Vesting period (years) | 1.00 | 1.00 | 3.00 | 4.00 | 3.00 |
| Expiry date | 10-Jul-19 | 10-Jul-19 | 10-Jul-21 | 10-Jul-22 | 10-Jul-22 |
| Life of the options (years) | 1.02 | 1.02 | 3.02 | 4.02 | 4.02 |
| Volatility | 80% | 80% | 80% | 80% | 80% |
| Risk free rate | 2.06% | 2.06% | 2.06% | 2.06% | 2.06% |
| Dividend yield | Nil | Nil | Nil | Nil | Nil |
| | | | | | |
| Number of options | 8,594,444 | 8,594,444 | 24,265,875 | 20,218,500 | 22,365,071 |
| Value per option | $0.030 | $0.030 | $0.030 | $0.016 | $0.018 |
| Value per tranche | $257,834 | $257,834 | $727,976 | $323,496 | $402,571 |

[(i)] The grant date for I. Clyne. R. Heeks and P. Leggat was determined as the AGM date, being 30 May 2018.

## 26 SHARE-BASED PAYMENTS (CONTINUED)

### (a) Employee Incentive Plan (continued)

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number of options or rights | Weighted average exercise price ($) | Number of options or rights | Weighted average exercise price ($) |
| **Zero exercise price options** | | | | |
| Outstanding at beginning of year | - | - | - | - |
| Granted | 41,454,763 | - | - | - |
| Expired/lapsed | - | - | - | - |
| Exercised | - | - | - | - |
| Outstanding at end of year | **41,454,763** | **-** | - | - |
| **Premium exercise price options** | | | | |
| Outstanding at beginning of year | - | - | - | - |
| Granted | 20,218,500 | 0.0408 | - | - |
| Expired/lapsed | - | - | - | - |
| Exercised | - | - | - | - |
| Outstanding at end of year | **20,218,500** | **0.0408** | - | - |
| **Share appreciation rights** | | | | |
| Outstanding at beginning of year | - | - | - | - |
| Granted | 22,365,071 | 0.0285* | - | - |
| Expired/lapsed | - | - | - | - |
| Exercised | - | - | - | - |
| Outstanding at end of year | **22,365,071** | **0.0285*** | - | - |

*The exercise price of the Share Appreciation Rights – represents a theoretical exercise price given the payoff is the difference between the Company's share price at the end of the vesting period and the price on grant date.

The weighted average contract life of the incentives are:

| Instrument | Years |
|---|---|
| Zero exercise price options | **2.19** |
| Premium exercise price options | **4.02** |
| Share appreciation rights | **4.02** |

## 26 SHARE-BASED PAYMENTS (CONTINUED)

### (b) Unlisted Incentives

There were 1,000,000 options over unissued shares unexercised at reporting date (2017 – 1,000,000). Since the end of the financial year, no unlisted options have been cancelled or exercised.

Details of unlisted options over unissued shares in the Company as at the date of this report are outlined in the tables below:

| Issue Date | Expiry Date | Exercise Price | Number on Issue | Movement During the Year | | Number on Issue |
|---|---|---|---|---|---|---|
| | | $ | 1-Jan-18 | Granted | Lapsed | 31-Dec-18 |
| 6-Jun-09 | Note (a) | 2.50 | 800,000 | - | - | **800,000** |
| 6-Jun-09 | Note (b) | 5.00 | 200,000 | - | - | **200,000** |
| | | | 1,000,000 | - | - | **1,000,000** |

(a) Not later than 5 years after defining a JORC compliant ore reserve of over 200,000oz Au on the Faddy's Gold Deposit.
(b) Not later than 10 years after defining a JORC compliant ore reserve of over 1,000,000oz Au on the Faddy's Gold Deposit.

| Issue Date | Expiry Date | Exercise Price | Number on Issue | Movement During the Year | | Number on Issue |
|---|---|---|---|---|---|---|
| | | $ | 1-Jan-17 | Granted | Lapsed | 31-Dec-17 |
| 6-Jun-09 | Note (a) | 2.50 | 800,000 | - | - | **800,000** |
| 6-Jun-09 | Note (b) | 5.00 | 200,000 | - | - | **200,000** |
| 5-Aug-14 | 5-Aug-17 | 0.07 | 1,688,768 | - | (1,688,768) | **-** |
| | | | 2,688,768 | - | (1,688,768) | **1,000,000** |

(a) Not later than 5 years after defining a JORC compliant ore reserve of over 200,000oz Au on the Faddy's Gold Deposit.
(b) Not later than 10 years after defining a JORC compliant ore reserve of over 1,000,000oz Au on the Faddy's Gold Deposit.

### (c) Services

During the reporting period, the Company did not issue any shares as payment for services (2017: nil).

## 27 LOSS PER SHARE

### (a) Basic and Diluted Loss per Share

| | Consolidated 2018 Cents | Consolidated 2017 Cents Restated |
|---|---|---|
| Basic loss per share: | | |
| From continuing operations attributable to the ordinary equity holders of the company | **(2.49)** | (0.27) |
| From discontinued operation | **(0.25)** | (0.02) |
| | **(2.74)** | (0.29) |
| Diluted loss per share: | | |
| From continuing operations attributable to the ordinary equity holders of the company | **(2.49)** | (0.27) |
| From discontinued operation | **(0.25)** | (0.02) |
| | **(2.74)** | (0.29) |

### (b) Reconciliation of Loss Used in Calculating Loss Per Share

| | Consolidated 2018 $ | Consolidated 2017 $ Restated |
|---|---|---|
| **Basic and Diluted Loss Per Share:** | | |
| Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share: | | |
| From continuing operations | **(48,741,835)** | (3,697,290) |
| From discontinued operation | **(5,008,824)** | (345,621) |
| | **(53,750,659)** | (4,042,911) |

### (c) Weighted Average Number of Shares Used as the Denominator

| | Consolidated 2018 No. of Shares | Consolidated 2017 No. of Shares |
|---|---|---|
| Weighted average number of ordinary share used as the denominator in calculating basic and diluted loss per share | **1,960,176,777** | 1,375,377,691 |

## 28 EVENTS OCCURRING AFTER BALANCE DATE

On 8 March 2019, the Company announced it had agreed to acquire from Kula Gold Ltd (Kula) all of Kula's rights and interests in the Woodlark Gold Project (Woodlark), consolidating Geopacific's 100% direct ownership of the gold project.

Under an agreement signed 6 March 2019 (Agreement) Kula agreed to sell, free from all encumbrances and third party claims, and Geopacific agreed to purchase, all of the outstanding shares in Woodlark Mining Limited (Woodlark) not currently owned by Geopacific (Sale Shares).

The purchase price payable under the Agreement comprises of:

1. the cancellation by way of selective buy back under section 257A of the Corporations Act 2001 (Cth) of all of the shares in Kula held by Geopacific (Kula Shares);
2. subject to the cancellation of the Kula Shares, the immediate issue to Kula of 150,000,000 fully paid ordinary shares in Geopacific at a deemed issue price of 1.7c each (Geopacific Shares) proposed to be distributed to Kula shareholders (other than Geopacific) following regulatory approvals and procedures, in specie or similar;
3. the payment by Geopacific to Kula of an amount (equal to the amount, as at completion, of the inter-company debt between Geopacific, as lender and Kula, as borrower (Kula Debt Amount)) (Cash Consideration) to be applied at completion against the Kula Debt Amount in accordance with the Agreement. The Parties anticipate the Kula Debt Amount to be between $500,000 and $750,000;
4. payment by Geopacific to Kula of $20,000; and
5. assignment by Kula to Geopacific of the inter-company loan owed by Woodlark Mining (being $7.1million as at the date of the Agreement).

## 29 OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed by the Board in assessing performance and determining the appropriate allocation of the Group's resources. The Group also has had regard to the qualitative thresholds for the determination of operating segments.

For management purposes the Group is organised into two operating segments based on geographical locations, which involves mineral exploration and development in Cambodia and Papua New Guinea. All other corporate expenses are disclosed as "Corporate" within this segment report. The Group's principal activities are interrelated and the Group has no revenue from operations. For the 31 December 2018 segment note, Fiji has been reclassified into "Asset Held for Sale" to reflect the change in accounting treatment of moving the Fijian group to assets held for sale.

All significant operating decisions are based on analysis of the Group as two segments. The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of the financial statements.

| | Cambodia<br>$ | Papua New Guinea<br>$ | Corporate<br>$ | Asset Held for Sale<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Revenue | - | - | 64,013 | - | **64,013** |
| Net Profit/(Loss) for the year | (44,935,949) | (233,150) | (4,047,485) | - | **(49,216,584)** |
| Segment Assets | 6,325,530 | 32,576,068 | 3,052,647 | 149,388 | **42,103,633** |
| Segment Liabilities | 6,299,485 | 479,519 | 638,914 | - | **7,417,918** |
| **2017** | | | | | |
| Other Revenue | - | - | 104,313 | - | **104,313** |
| Net Profit/(Loss) for the year | (951,833) | (38,656) | (2,678,406) | - | **(3,668,895)** |
| Segment Assets (restated) | 41,919,619 | 24,719,079 | 9,250,532 | 4,831,070 | **80,720,300** |
| Segment Liabilities (restated) | 4,950,453 | 995,974 | 1,439,018 | - | **7,385,445** |

## 30 FINANCIAL INSTRUMENTS DISCLOSURES

### Credit Risk

The Directors do not consider that the Group's financial assets are subject to a material level of credit risk. Therefore, no disclosures are made. Refer to Note 2(a).

### Impairment Losses

The Directors do not consider that any of the Group's financial assets are subject to impairment at the reporting date. No impairment expense or reversal or impairment charge has been recorded during the reporting period in relation to the Group's financial assets (2017: nil).

### Liquidity Risk

Liquidity risk arises from the financial liabilities of the Group and the Group's ability to meet their obligations to repay their financial liabilities as and when they fall due. The Group monitors rolling forecasts of liquidity on a regular basis.

The following table reflects the liquidity risk arising from the financial liabilities held by the Group at balance date. The contractual maturity reflects undiscounted gross amounts:

| **Consolidated** | **Carrying amount** | **Contractual cash flows** | **6 months or less** | **6-12 months** | **1-5 years** |
|---|---|---|---|---|---|
| **2018** | **$** | **$** | **$** | **$** | **$** |
| **Financial Liabilities - Due for Payment** | | | | | |
| Trade and other payables | 7,089,801 | 9,784,848 | 844,874 | 2,793,742 | 6,146,232 |
| **Total expected outflows** | **7,089,801** | **9,784,848** | **844,874** | **2,391,955** | **6,146,232** |

| **Consolidated** | **Carrying amount** | **Contractual cash flows** | **6 months or less** | **6-12 months** | **1-5 years** |
|---|---|---|---|---|---|
| **2017** | **$** | **$** | **$** | **$** | **$** |
| **Financial Liabilities - Due for Payment** | | | | | |
| Trade and other payables (Restated) | 6,419,838 | 9,866,726 | 1,797,045 | - | 8,069,681 |
| **Total expected outflows** | **6,419,838** | **9,866,726** | **1,797,045** | **-** | **8,069,681** |

At 31 December 2018, the Group had no interest-bearing liabilities (2017: nil).

## 30 FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

### Currency risk

The Group is exposed to foreign currency on expenditures that are denominated in a currency other than Australian Dollars. The United States Dollar, Papua New Guinea Kina and Fiji Dollars are the currencies that primarily give rise to the Group's currency risk.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the functional currency of the Group entity in question. The Group does not have a formal foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

### Interest rate risk

The interest profile of the Group's interest-bearing financial instruments at the reporting date are outlined in the table below:

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **Variable rate instruments:** | | |
| Financial assets | **3,059,221** | 6,765,343 |
| **Total** | **3,059,221** | 6,765,343 |

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and comprehensive income by the amounts shown below. The analysis assumes that all other variables remain constant.

| | Profit and Loss | | Equity | |
|---|---|---|---|---|
| | 100bp increase<br>$ | 100bp decrease<br>$ | 100bp increase<br>$ | 100bp decrease<br>$ |
| **2018 - Variable rate instruments** | **30,592** | **30,592** | **30,592** | **(30,592)** |
| 2017 - Variable rate instruments | 67,653 | (67,653) | 67,653 | (67,653) |

### Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities as described in the consolidated statement of financial position represent their estimated net fair value, expect for the deferred consideration payment for the purchase of the Kou Sa Project which is carried at its present value.

## 31 NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Cash and Cash Equivalents

Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash flows is reconciled to the related items in the Statement of Financial Position as follows:

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Cash at bank | **3,059,221** | 6,765,343 |
| Total | **3,059,221** | 6,765,343 |

### (b) Reconciliation of Cash Flows from Operating Activities

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **Net loss after income tax** | **(53,750,659)** | (3,211,185) |
| **Adjustments for Non-cash Items:** | | |
| Depreciation | **36,121** | 26,952 |
| Share based payments | **709,371** | - |
| Unrealised net foreign exchange (gain) / loss | **-** | (1,821,974) |
| Impairment write downs | **44,230,355** | - |
| Discount unwind | **1,123,578** | - |
| Acquisition of subsidiary's net assets | **-** | (203,229) |
| Transactions with non-controlling interests | **7,104,104** | 81,178 |
| **Changes in Assets & Liabilities** | | |
| (Increase) / Decrease in trade and other receivables | **(300,575)** | 1,515,837 |
| (Increase) / Decrease in inventory | **38,032** | (280,802) |
| Increase / (Decrease) in trade and other payables | **(189,223)** | 1,223,923 |
| Increase / (Decrease) in provisions | **52,101** | 480,674 |
| Increase / (Decrease) in deferred tax liabilities | **(2,570,029)** | (1,744,148) |
| **Net Cash Used in Operating Activities** | **(3,516,824)** | (3,932,774) |

### (c) Non-cash financing activities

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Shares issued under off-market takeover | **-** | 9,694,732 |

## 32 DISCONTINUED OPERATION

In 2017 the Group confirmed its intention to sell its Fijian controlled companies and an active program to locate a buyer for these companies commenced. The associated assets and liabilities were consequently presented as held for sale (Note 12).

The financial performance information for these companies is presented below.

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Income** | - | 2,598 |
| Administration expense | (23,079) | (16,233) |
| Depreciation expense | (1,751) | (3,135) |
| Employee benefits expense | (46,634) | (44,600) |
| Occupancy expense | (20,442) | (19,808) |
| Impairment write downs | (7,012,198) | - |
| | (7,104,104) | (83,776) |
| **Loss before income tax** | (7,104,104) | (81,178) |
| Income tax benefit/(expense) | 2,095,280 | (264,443) |
| **Loss from discontinued operation** | (5,008,824) | (345,621) |

### Earnings per share

| | Consolidated | |
|---|---|---|
| | 2018 Cents | 2017 Cents |
| Basic loss per share rom discontinued operation: | (0.26) | (0.03) |
| Diluted loss per share rom discontinued operation: | (0.26) | (0.03) |

## 33 BUSINESS ACQUISITION

Between 9 August 2017 and 8 October 2017 Geopacific acquired 85% of the issued capital of Kula Gold Limited (Kula), in an off market takeover offer. The takeover offer involved the issue of Geopacific shares to Kula shareholders who accepted into the offer. Accepting Kula shareholders received 1 Geopacific share for every 1.1 Kula shares.

The takeover offer resulted in Geopacific gaining control of Kula on 9 August 2017 when the conditions of the takeover offer were removed and Geopacific issued the first tranche of shares gaining over 50% of the issued capital of Kula. Ultimately Geopacific acquired 85% of Kula by the time the takeover offer closed in October 2017.

At 31 December 2017 Kula owned a 95% interest in Woodlark Mining Limited (Woodlark), the 100% owner of the Woodlark Gold Project. Geopacific owns the remaining 5% of Woodlark. Geopacific therefore owns an 81% indirect interest in the Woodlark Gold Project along with a 5% direct interest. The acquisition was made as Geopacific believes that combining Woodlark Mining Limited under a single ownership structure is in the interest of the shareholders of both companies.

| | 2017 |
|---|---|
| | $ |
| **Fair value of consideration transferred** | |
| Amount settled for the issue of shares in Geopacific | 9,694,732 |
| **Total** | **9,694,732** |
| | |
| **Recognised amounts of identifiable net assets:** | |
| **Current assets** | |
| Cash and cash equivalents | 254,605 |
| Trade and other receivables | 85,703 |
| Inventories | 272,666 |
| **Total current assets** | **612,974** |
| | |
| **Non-current assets** | |
| Exploration and evaluation expenditure | 10,483,290 |
| Property, plant and equipment | 682,447 |
| **Total non-current assets** | **11,165,737** |
| | |
| **Current liabilities** | |
| Trade and other payables | 187,001 |
| Provisions | 188,068 |
| **Total current liabilities** | **375,069** |
| | |
| **Identifiable net assets** | **11,403,642** |
| | |
| Amount settled for the issue of shares in Geopacific | 9,694,732 |
| Non-controlling interest | 1,708,910 |
| | **11,403,642** |

The shareholder information set out below was applicable as at 18 March 2019.

### (a) Analysis of numbers of equity security holders by size of holding:

| | Class of Equity Security Ordinary Shares | |
|---|---|---|
| | Number | Shares |
| Analysis of numbers of equity security holders by size holding: | | |
| 1 - 1,000 | 40 | 6,920 |
| 1,001 - 5,000 | 23 | 71,363 |
| 5,001 - 10,000 | 31 | 272,294 |
| 10,001 - 100,000 | 553 | 24,607,139 |
| 100,001 and over | 488 | 2,056,949,414 |
| **Total** | **1,135** | **2,081,907,130** |

### (b) Equity security holders – ordinary shares

The names of the twenty largest holders of quoted equity securities, ordinary shares, are listed below:

| | Ordinary Shares | |
|---|---|---|
| | Number Held | % of Issued Shares |
| NDOVU CAPITAL IV B V | 596,369,174 | 28.65 |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 358,912,138 | 17.24 |
| HSBC CUSTODY NOMINEES | 240,581,631 | 11.56 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 71,610,770 | 3.40 |
| HOME IDEAS SHOW PTY LTD <UB PROMOTIONS SPF A/C> | 60,072,352 | 2.89 |
| WASHINGTON H SOUL PATTINSON AND COMPANY | 48,594,815 | 2.23 |
| MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C> | 45,000,000 | 2.16 |
| GWYNVILL TRADING PTY LTD | 44,800,000 | 2.15 |
| HOME IDEAS SHOW PTY LTD <UB PROMOTIONS SPF A/C> | 29,581,427 | 1.42 |
| ORION MINE FINANCE FUND II LP | 29,069,768 | 1.40 |
| MR DANIEL MCDONAGH | 24,243,947 | 1.17 |
| ZERO NOMINEES PTY LTD | 19,500,000 | 0.94 |
| BNP PARIBAS NOMINEES PTY LTD <PEEL HUNT CLTS ASSET DRP > | 15,815,999 | 0.76 |
| NATIONAL NOMINEES LIMITED | 14,510,000 | 0.70 |
| MR ANTHONY WILLIAM OLDING & MRS CAROLINE ANNE OLDING | 13,279,218 | 0.64 |
| CITICORP NOMINEES PTY LIMITED | 12,345,435 | 0.56 |
| BRAZIL FARMING PTY LTD | 11,000,000 | 0.53 |
| WHITESMAN INVESTMENTS PTY LTD <WHITESMAN S/F A/C> | 9,564,090 | 0.49 |
| HENDERSON INTERNATIONAL PTY LIMITED <HENDERSON SUPER FUND A/C> | 9,514,471 | 0.48 |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 9,330,997 | 0.46 |
| **TOP 20 SHAREHOLDERS** | **1,663,696,232** | **79.83** |
| OTHER SHAREHOLDERS | 418,210,898 | 20.17 |
| **TOTAL ORDINARY SHAREHOLDERS** | **2,081,907,130** | **100.00** |

### (c) Substantial holders

| | Shareholding | |
|---|---|---|
| | Number Held | % of Issued Shares |
| Extracts from substantial shareholder register: | | |
| NDOVU CAPITAL IV B V | 596,369,174 | 28.65 |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 358,912,138 | 17.24 |
| HSBC CUSTODY NOMINEES | 240,581,631 | 11.56 |

### (d) Voting rights

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

#### Fully paid Ordinary Shares

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

#### Options – listed and unlisted

There are no voting rights attached to options.

### (e) Summary of unlisted options issued

| | Number of Options | Number of Holders | Options Held | % of Options Issued |
|---|---|---|---|---|
| Options expiring not later than five years after the defining on Faddy's Gold Deposit of a JORC complaint Ore Reserve of over 200,000 oz of contained Au with an exercise price of $2.50 | 800,000 | 5 | | |
| **Option holder with more than 20% of class** | | | | |
| Exploration Drilling Services (Fiji) Ltd | | | 320,000 | 40.0 |
| L Andreson Investments Pty Ltd | | | 220,000 | 27.5 |
| Sheila Anderson Investments | | | 180,000 | 22.5 |
| Options expiring not later than ten years after the defining on Faddy's Gold Deposit of a JORC compliant Ore Reserve of over 1,000,000 oz of contained Au with an exercise price of $5.00 | 200,000 | 5 | | |
| **Option holder with more than 20% of class** | | | | |
| Exploration Drilling Services (Fiji) Ltd | | | 80,000 | 40.0 |
| L Andreson Investments Pty Ltd | | | 55,000 | 27.5 |
| Sheila Anderson Investments | | | 45,000 | 22.5 |

### (e) Summary of unlisted options issued (continued)

| | Number of Options | Number of Holders | Options Held | % of Options Issued |
|---|---|---|---|---|
| Zero exercise price options expiring 1 year from the issue date on 10 July 2019 | 17,188,888 | 6 | | |
| **Option holder with more than 20% of class** | | | | |
| M Smith | | | 3,494,444 | 20.3 |
| P Leggat | | | 3,494,444 | 20.3 |
| J Kerr | | | 3,494,444 | 20.3 |
| G Zamudio | | | 3,494,444 | 20.3 |
| Zero exercise price options expiring 3 years from the issue date on 10 July 2021 | 24,265,875 | 6 | | |
| **Option holder with more than 20% of class** | | | | |
| R Heeks | | | 5,521,875 | 22.8 |
| Premium exercise price options expiring 4 years from the issue date on 10 July 2022 | 20,218,500 | 6 | | |
| **Option holder with more than 20% of class** | | | | |
| R Heeks | | | 4,882,500 | 21.4 |
| Share appreciation rights expiring 4 years from the issue date on 10 July 2022 | 22,365,071 | 6 | | |
| **Option holder with more than 20% of class** | | | | |
| R Heeks | | | 4,838,214 | 21.6 |

Current interest in tenements held by Geopacific Resources Limited and its subsidiaries, as at 22 March 2019 are listed below:

| Country | Location | Tenement | Interest |
|---|---|---|---|
| | | | |
| Fiji | Nadi, Viti Levu | SPL 1368 | 100% |
| Fiji | Nadi, Viti Levu | SPL 1361 | 100% |
| Fiji | Nadi, Viti Levu | SPL 1216 | 100% |
| Fiji | Nadi, Viti Levu | SPL 1415 | 100% |
| Cambodia | Preah Vihear Provence | Kou Sa Project | 85% |
| Papua New Guinea | Woodlark Island | EL 1172 | 93% |
| Papua New Guinea | Woodlark Island | EL 1279 | 93% |
| Papua New Guinea | Woodlark Island | EL 1465 | 93% |
| Papua New Guinea | Woodlark Island | LMP 89 | 93% |
| Papua New Guinea | Woodlark Island | LMP 90 | 93% |
| Papua New Guinea | Woodlark Island | LMP 91 | 93% |
| Papua New Guinea | Woodlark Island | LMP 92 | 93% |
| Papua New Guinea | Woodlark Island | LMP 93 | 93% |
| Papua New Guinea | Woodlark Island | ME 85 | 93% |
| Papua New Guinea | Woodlark Island | ME 86 | 93% |
| Papua New Guinea | Woodlark Island | ML 508 | 93% |

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