Wednesday, 5 September 2012

The Manager – Companies

ASX Limited

FOR RELEASE TO MARKET

Dear Sir

Proposed Acquisition of Indian Pacific Resources Limited (IPR) by APA Financial Services Limited (APP)

Annual Report of IPR for the year ended 31 December 2011

APA Financial Services Limited has previously announced the proposed reverse takeover acquisition of Indian Pacific Resources Limited.

IPR has recently released to its shareholders the audited financial report for the year ended 31 December 2011 which is that company's normal year end. IPR will prepare half year accounts to 30 June 2012, which will be reviewed by the current auditor Ernst and Young and those accounts will form the basis of financial reporting about IPR in proposed prospectuses to be issued by APP in due course. APP had no input to the preparation of the IPR financial accounts.

Any queries regarding this release to market announcement should be directed to the writer.

Yours faithfully

APA Financial Services Limited

MICHAEL HACKETT
Chairman

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INDIAN PACIFIC RESOURCES

INDIAN PACIFIC RESOURCES LIMITED
(ACN 139 847 555)

2011 Annual Report

Contents

Corporate Directory

Directors
Executive chairman and managing director
SJ Caithness
Executive director and chief financial officer
JM Madden
Non-executive director
RS Burns

Company secretary
JM Madden

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Bankers
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Solicitors
Freehills
Level 42, 101 Collins Street
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John W Ffooks & Co
Immeuble Assist - 1er étage
Ivandry Antananarivo 101
Madagascar

Share registry
Available at the registered office of
Indian Pacific Resources Limited

The Directors of Indian Pacific Resources Limited (ACN 139 847 555) (hereafter referred to as the "Company") submit their report for the Company and its controlled entities (hereafter referred to as the "Group") for the financial year ended 31 December 2011.

Directors

The names of the Directors of the Company in office during the period and until the date of this report are:

SJ Caithness (Chairman and Managing Director)
RS Burns (Non-executive director)
JM Madden (Chief Financial Officer and Company Secretary)
S Newman (Non-executive director)

Mr Newman resigned as a director of the Company on 11 April 2011 and Mr Burns was appointed on 1 June 2011.

Scott Caithness BAppSc (Geology) RMIT, MAusIMM
Scott is a geologist with extensive international technical, strategic and commercial experience having worked in the mining industry for over 28 years. Scott commenced his career with CRA Exploration (now Rio Tinto) in Australia in 1982 and during his 18 years with the organisation he worked in various senior and country manager positions. His early career was spent in eastern Australia prior to spending four years in Papua New Guinea, including two years as Country Manager. This was followed by four years as Manager of International Business Development for Vietnam and India. Whilst performing this role, Scott established CRA's corporate and exploration presence in India between 1995 and 1996. The final positions Scott held with Rio Tinto were General Manager International Region in charge of exploration in China, Philippines and PNG and then General Manager Southern Australia and India.

Following his departure from Rio Tinto in 2000, Scott briefly established a consultancy business before accepting a term as Australia's Senior Trade Commissioner to Malaysia and Brunei. In 2004 he returned to the resources sector as Group Head of Exploration for Vedanta Resources based in Mumbai, India. In this role he achieved significant success in upgrading the exploration activities of Hindustan Zinc Ltd, which resulted in major reserve and resource upgrades. On his return to Australia, Scott joined Indophil Resources NL as General Manager Exploration and Business Development in early 2007. Scott became a founder of the Company in October 2009.

Rob Burns BSc, FRMIT, FAusIMM, MAICD
Rob is a metallurgist with 40 years' experience in the mining industry, specialising in mine operations management and project evaluation and development. Rob joined the CRA Group (now Rio Tinto) in 1980 and held a number of technical, project management and executive roles at Bougainville Copper Limited and Hidden Valley Gold Project in Papua New Guinea, Reefton Gold Project in New Zealand, Wimmera Industrial Minerals, North Parkes Copper Mine and Peak Gold Mine in Australia and Kelian Equatorial Mining in Indonesia. Prior to his retirement from Rio Tinto in 2009, Rob was General Manager-Rio Tinto Technical Services.

Before joining Rio Tinto, Rob worked for the gold and uranium division of Anglo-American plc (formerly Anglo-American of South Africa Limited) and for the John Holland Group on a coal project in Queensland.

Rob is currently a Director of Bougainville Copper Limited.

John Madden (BCom, FCPA, FTIA, ACIS(Aff), MAICD)
John is an accountant with over 30 years' experience in the mining industry. John joined CRA Limited (now Rio Tinto) from the University of Melbourne in 1981 and held a number of corporate positions in accounting, planning, business analysis, taxation and strategy and acquisitions. Between 1996 and 2000, John was Manager-Finance for PT Rio Tinto Indonesia with responsibility for the accounting, business analysis and taxation functions for the Rio Tinto/Freeport Joint Venture in West Papua.

In 2000, John was appointed General Manager-Finance for Morobe Consolidated Goldfields Limited in Papua New Guinea where he was responsible for all commercial, legal and risk assessment studies performed as part of the feasibility study for the development of the Hidden Valley Gold Project.

In 2003, John returned to Australia where he accepted the position of General Manager-Commercial at Indophil Resources NL. John was responsible for all accounting, business analysis, corporate secretarial, legal and taxation functions in Australia and the Philippines. John was also responsible for all commercial functions associated with the Indophil Pre-Feasibility Study for the development of the Tampakan Copper-Gold Project which ultimately led to the decision by Xstrata Queensland Limited to exercise its option to acquire a controlling interest in the Tampakan Copper-Gold Project.

John resigned from Indophil at the end of 2007 and provided consulting advice to Indophil as well as to other mining entities including the Australian Premium Iron Ore Joint Venture, Intrepid Mines Limited, Mesa Minerals Limited and Ok Tedi Mining Limited before founding the Company with Scott Caithness in October 2009.

<u>Interest of directors in the shares and options of the Company</u>

As at the date of this report, interests of the directors in the shares and options of the Company are as follows:

Director	**Number of Ordinary Shares**		**Number of Options over Ordinary Shares**	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
RS Burns	2,758,446	-	1,200,000	-
SJ Caithness	6,778,202	100,000	2,400,000	-
JM Madden	5,755,800	1,343,360	1,800,000	-

Meetings of the board of directors

The number of meetings of the board of directors held during the period which this report covers is as follows:

	Number of meetings during financial year	Number of meetings in previous financial year
Board	**26**	15

The attendance of directors at the meetings of the board of directors during the period for which this report covers is as follows:

Director	**Number of meetings during financial year**	Number of meetings in previous financial year
RS Burns	**17**	-
SJ Caithness	**26**	15
JM Madden	**26**	15
S Newman	**9**	15

Principal activities

The principal activity of the Group during this financial year was the advancement of a number of magnetite projects that the Company either acquired or is farming in to which are located on the east coast of Madagascar. The principal prospect that the Group advanced was the Tratramarina Project, comprising the Tratramarina, Ambalavato and Befosa prospects. Prospects within the Tratramarina Project are held under two Reserved Licences for Small Mining Developers (*du Permis Reserve Aux Petits Exploitants miniers*) and a number of Research Permits (*du Permis de Recherche*). The Tratramarina project lies approximately 16 kilometres from the town of Mahanoro on the east coast of Madagascar.

Review of results and operations

Net loss after tax for the Group for the financial year ended 31 December 2011 was $3,473,508 (2010: $183,662). The loss largely arises from the impairment to the carrying value of exploration and evaluation expenditure arising from refocusing its exploration effort to concentrate on the Tratramarina prospects. The Group also continued to adopt its conservative interpretation to the capitalisation of expenditures as exploration and evaluation and therefore, minimised corporate overheads and project-related overheads capitalised as exploration and evaluation on the balance sheet.

The Group made a number of achievements during the financial year on its Tratramarina Project; however, the termination of the Sinbad and UEM Share Sale Agreement on 6 March 2012 impacted these achievements.

The key achievements for the financial year were:

(i) the acquisition of Malagasy Exploration and Mining Pty Ltd from NGM Resources Ltd (an entity controlled by Paladin Energy Ltd) in February 2011;

(ii) the completion of a seed equity raising totalling $5.9 million in March 2011;

(iii) the establishment of a small offices in Antananarivo, the capital of Madagascar, and a field office at Mahanoro, the township closest to the Tratramarina Project, in May 2011;

(iv) the acquisition of tenements which cover the western portion of the Tratramarina prospect from the Malagasy holder on the in June 2011;

(v) the completion of health, security, community and environment impact studies (including community consultation) in July 2011;

(vi) the recruitment of technical staff (both Malagasy and non-Malagasy staff) in August 2011;

(vii) the restructuring of the Sinbad Farm-in and Equity Earn Agreement in August 2011 into the Sinbad and UEM Share Sale Agreement in August 2011;

(viii) the completion of geological groundwork and geological sampling over the Tratramarina prospect in September 2011;

(ix) the grant of environmental permits to enable the Company to undertake large-scale exploration campaigns over the Tratramarina prospect on 29 October 2011; and

(x) the commencement in November 2011 of a limited drilling campaign at the Tratramarina prospect to confirm the grade, width and depth of magnetite mineralisation identified from regional aeromagnetic surveys.

The slower than expected grant of environmental clearances for the Tratramarina prospect led to a delay in the commencement of the drilling programme. Uncertainty over the timing of the grant of the environment permit for tenements covering the eastern portion of the prospect (where the Group held a Research Permit which entitled it to conduct large-scale drilling activities), led to the Group entering into discussions with the National Office for the Environment *(l'Office National pour l'Environnement)* for the variation of the existing environment permit granted for tenements covering the western area of the prospect (where the Group held a small scale mining development permit). These discussions were successful and in October 2011 the Company secured a variation to the existing permit which entitled it to drill up to 10 drill holes utilising man-portable drill rigs in the western area. By late November 2011, the Company had also received its environmental permit to enable drilling in the east.

Drilling commenced at Tratramarina prospect in November 2011 using man portable diamond drill rigs. The aim of the drilling programme was to confirm the mineralisation identified during geological mapping to a depth of 200m and also determine the width of mineralised bands and their grade. A total of 2,000m was planned in 10 holes with the holes sited to test below significant mineralisation identified at surface.

The productivity of the man-portable drill rigs was lower than expected and regardless of having 3 rigs on site, the drilling contractor was unable to achieve the Company's planned meterage target before the programme budget was exceeded. The slow drilling rate was also exacerbated by the impact of the wet season which included Category 4 cyclone *Giovanna* and consequent health issues including the regular contraction of malaria by drilling and Company personnel.

The slow drilling rate resulted in the planned 2 month drilling programme being extended to 4 months and only 7 holes being completed at six sites (drill hole DD11TR002 was abandoned at 66m due to snapped rods with DD11TR003 the re-drill). In total 1,360m of the proposed 2,000m was drilled.

Despite the drilling deficiencies the programme was successful in achieving its objectives with all seven drill holes intersecting magnetite mineralisation. A summary of the significant drill hole intersections and assay results is outlined in the table below.

	Total Depth (m)	Mineralised Interval (m)	Length of Mineralised Interval (m)	Grade % Fe	SiO_2	Al_2O_3	P	S	LOI
DD11TR001	**220**	**6-22**	**16**	**27.2**	**42.2**	**7.2**	**0.11**	**0.01**	**4.86**
	includes	6-14	8	34.5	43.3	4.4	0.09	0.01	3.07
DD11TR002	**66**	**0-30**	**30**	**26.4**	**45.5**	**9.5**	**0.10**	**0.01**	**na**
	includes	0-14	14	29.9	36.9	10.0	0.07	0.01	na
DD11TR003	**224**	**146-190**	**44**	**20.4**	**56.3**	**10.3**	**0.02**	**0.03**	**na**
	Includes	172-190	18	25.1	54.3	7.9	0.01	0.03	na
DD11TR004	**220**	**0-46**	**46**	**29.5**	**41.7**	**8.0**	**0.04**	**0.09**	**6.2**
	includes	0-24	24	33.1	38.5	6.6	0.03	0.13	6.5
		84-216	**132**	**29.2**	**44.9**	**2.8**	**0.07**	**1.10**	**0.6**
	includes	110-132	22	36.6	41.7	0.5	0.05	0.50	0.1
		152-188	36	35.7	42.5	1.0	0.07	0.73	0.1
		202-216	14	30.7	46.5	1.4	0.06	0.59	0.2
DD12TR005	**220**	**28-64**	**36**	**28.5**	**53.3**	**3.0**	**0.01**	**0.12**	**0.05**
	includes	30-46	16	36.3	46.1	0.8	0.01	0.20	0.05
DD12TR006	**212**	**84-124**	**40**	**22.6**	**53.9**	**5.4**	**0.05**	**0.53**	**0.18**
	includes	90-112	22	30.3	50.9	0.4	0.04	0.83	0.25
DD12TR007	**198**	**0-32**	**32**	**24.1**	**40.8**	**13.8**	**0.08**	**0.11**	**9.03**
	includes	0-14	14	36.9	26.5	9.6	0.08	0.13	9.33
		64-142	**78**	**31.1**	**47.0**	**2.0**	**0.07**	**0.80**	**0.37**
	includes	76-104	28	34.6	44.9	0.6	0.07	0.71	0.19
		126-140	14	36.0	44.3	0.7	0.05	0.75	0.23

The key outcomes from the programme were:

(i) The aeromagnetic anomaly at Tratramarina is caused by multiple wide zones of near surface hematite and deeper magnetite mineralisation which extends to a depth of at least 180m below surface.

(ii) The mineralisation consists of high grade (33-37% Fe) near surface hematite or deeper magnetite rich zones that sit within broader zones of hematite-quartzite or magnetite-quartzite mineralisation grading 25-30% Fe.

(iii) Contaminants such as silica, alumina, phosphorous and sulphur are all within acceptable levels within the mineralisation.

(iv) The drilling extends over an east-west strike length of 1.3km and the mineralisation remains open in all directions and at depth.

(v) Petrographic descriptions suggest that the mineralisation is readily upgradeable at coarse grind sizes as the magnetite grains are 0.1-0.2mm in size and sit primarily along quartz grain boundaries.

(vi) The mineralisation is fine-medium grained, soft and friable near surface when weathered and massive when fresh.

(vii) The near surface hematite rich mineralisation has a subdued magnetic signature relative to the strongly magnetic magnetite mineralisation.

(viii) The potential of the Ambalavato aeromagnetic anomaly, which has more than twice the strike length of the Tratramarina anomaly and lies only 3km to the south, is enhanced.

Following the completion of the drilling programme, samples were submitted for Davis Tube Recovery ('DTR') analysis to provide a 'sighter test' of mass recoveries and concentrate grades. A total of eleven 10m composite samples collected from mineralised intervals in drill holes DD11TR001-DD12TR007 were submitted for analysis. The composites consisted of 5 x 2m samples collected from three mineralisation types:

(i) Weathered hematite-magnetite quartzite;

(ii) Fresh, moderate grade (20-30% Fe), interbedded magnetite-quartzite and gneiss, and

(iii) Fresh, high grade (+30% Fe) magnetite-quartzite.

All samples were crushed and ground to 125μm, 100μm, 75μm and 50μm to determine the optimal grind sizes to produce a high quality concentrate. The DTR analysis was done by Genalysis in South Africa. Key conclusions based on the results obtained are:

(i) A high quality iron concentrate grading +66% Fe can be produced;

(ii) High quality concentrate can be produced at coarse grind sizes - at a 100μm grind 8 of the 11 composite intervals have an average concentrate grade of +66% Fe;

(iii) The feed grade does not impact the quality of the concentrate – a high quality concentrate can be produced from moderate and low grade feed; and

(iv) For unweathered mineralisation, there is a very strong positive correlation between feed iron grade, DTR mass recovery and iron recovery, that is, the higher the feed grade the higher the mass recovery of magnetic material and iron recovery:

(1) Mass recoveries for high grade mineralisation (+30% Fe) are typically greater than 40% and range up to 60% with iron recoveries ranging up to 92.7%; and

(2) Mass recoveries for moderate grade mineralisation (20-30% Fe) are in the range of 20-40% and iron recoveries range up to 65.5%.

In conclusion, the drilling programme at Tratramarina was successful in identifying high quality magnetite mineralisation to significant depth and in confirming that the mineralisation has the potential to produce a high quality iron concentrate.

The Company's proposed future technical programme will be to fly a more detailed airborne magnetic programme to better delineate its mineralised zones both on surface and subsurface and then carry out a detailed drilling programme to enable a resource estimate on the Tratramarina prospect to be completed.

<u>Significant changes in the state of affairs</u>

On 4 June 2012, the Company and APA Financial Services Limited entered into a Heads of Agreement where APA Financial Services Limited agreed, subject to specific Conditions Precedent, agreed to pay the shareholders of the Company, on achievement of project milestones 120,000,000 fully paid ordinary shares in APA Financial Services Limited at a deemed share price of 20 cents per share (*see* Significant events after balance date).

<u>Significant events after balance date</u>

Issue of ordinary shares

On 10 January 2012, the Company issued 10,357,810 fully paid shares to seed investors at $0.10 per share pursuant to an equity raising to existing shareholders and sophisticated investors announced in late 2011. The equity raising closed on 23 February 2012 following the identification of a significant event that took place prior to the execution of the Sinbad Farm-in and Equity Earn Agreement as the directors took the view that all forms of equity raising should cease until the matter was resolved.

Exercise by NGM Resources Ltd of put option

On 27 January 2012, Paladin Energy Ltd (for and on behalf of NGM Resources Ltd) informed the Company that it wold exercise its put option available under the Malagasy Exploration and Mining Pty Ltd Share Sale Agreement. The put option required the Company to repurchase 5,000,000 fully paid ordinary shares issued to NGM Resources Ltd under the above-mentioned agreement at the issue price of the shares, 10 cents per share. As at the date of this report, the Company owes NGM Resources Ltd $400,000 for the repurchase of 4,000,000 fully paid shares.

Termination of relationship with Sinbad Resources sarl

As shareholders are aware, the Company entered into the Sinbad Farm-in and Equity Earn Agreement with Sinbad Resources sarl on 3 November 2010. As part of the farm-in process, the Company and the shareholders in Sinbad Resources sarl were required to enter into a Shareholders Agreement which would provide the Company with capacity to control and manage Sinbad Resources sarl during the farm-in period despite the Company not having a controlling interest in Sinbad Resources sarl.

The Company informed shareholders in its annual report last year that it was involved in protracted discussions and negotiations with Sinbad Resources sarl over cross-border issues that were required to be addressed in a Shareholders Agreement for the relationship to be formally established. On 29 August 2011, the Company and the shareholders in Sinbad Resources sarl announced the restructuring of their relationship by way of the Sinbad and UEM Share Sale Agreement. The Company and the shareholders in Sinbad Resources sarl believed that the outright sale by the shareholders of Sinbad Resources sarl was the best mechanism to enable the Company achieve control and simplify the relationship.

The Company had expended significant financial and human resources to successfully negotiate and execute the Sinbad and UEM Share Sale Agreement when it was alerted to a significant event that took place prior to the execution of the Sinbad Farm-in and Equity Earn Agreement which potentially represented a breach of this agreement and required urgent investigation. Following the investigation and advice from both Freehills and JW Ffooks & Co, the Board of Directors decided that the prudent course of action available to it was to terminate the relationship with Sinbad Resources sarl. On 27 March 2012, the Company and the shareholders in Sinbad Resources sarl formally terminated the Sinbad and UEM Share Sale Agreement. The effect of the termination resulted in the Company continuing to own 100% of Universal Exploration Madagascar SARL and its Tratramarina Project tenements and the shareholders in Sinbad Resources sarl being returned their share in Sinbad Resources sarl and accordingly, the equitable and legal rights to the Ambohimahavony, Betioky and Fasintsara tenements.

The Company believes that while the loss of the Fasintsara Project is disappointing it did however represent a longer term target as its advancement would follow that of the Tratramarina Project. The Company had reviewed and downgraded its view on the potential of Ambohimahavony and Betioky projects with a recommendation for relinquishment of Betioky provided to the shareholders of Sinbad Resources sarl.

Heads of Agreement with APA Financial Services Limited

On 4 June 2012, the Company entered into a Heads of Agreement with APA Financial Services Limited. Under the terms and conditions of the HoA, APA Financial Services Limited will issue the shareholders of the Company 120,000,000 fully paid ordinary shares at a deemed share price of 20 cents per share on the following basis:

Fully Paid Ordinary Shares	Milestone
15,000,000	Completion of transaction contemplated by the Heads of Agreement in October 2012
10,000,000	Identification of 100Mt Inferred JORC Resource
35,000,000	Identification of 200Mt Inferred JORC Resource
60,000,000	Completion of a positive Bankable Feasibility Study
120,000,000	

The transaction is subject to the completion of the following Conditions Precedent:

(i) completion by APA Financial Services Limited and the Company of Due Diligence within 21 days of execution of the Heads of Agreement;

(ii) APA Financial Services Limited agreeing to a budget within 21 days of execution of the Heads of Agreement;

(iii) APA Financial Services Limited obtaining shareholder approval for the completion of the transaction by no later than 31 October 2012;

(iv) APA Financial Services Limited obtaining shareholder approval for the in specie distribution of its equity investment of OneVue investment to existing APA Financial Services Limited shareholders;

(v) APA Financial Services Limited obtaining shareholder approval for a 1:8 consolidation of its shares and options; and

(vi) APA Financial Services Limited preparing a prospectus and raising a minimum $3 million at a share price of 20 cents per share and re-compliance with Chapters 1 and 2 of the Australian Stock Exchange Listing Rules.

(A at the date of this report, the Company and APA Financial Services Limited have completed steps (i) and (ii) above and have commenced the documentation process for the general meeting of APA Financial Services Limited as well as the proposed prospectus.)

Under the Heads of Agreement, the shareholders of APA Financial Services Limited are required to consider and, if thought appropriate, approve a change of name that will result in APA Financial Services Limited being re-named "Indian Pacific Resources Limited" and the Company will be entitled to appoint up to four out of a total of five directors that the new "Indian Pacific Resources" Limited will be entitled to appoint, including the Managing Director.

Advisors to APA Financial Services Limited and the Company will receive, in total, $150,000 in cash and 1,750,000 in fully paid ordinary shares on completion of the transaction.

As at the date of this report, the parties have completed their respective obligations in relation to due diligence and have commenced the process for APA Financial Services

Limited to approve the transaction as well as other matters contemplated by the Conditions Precedent at a general meeting of shareholders.

Equity raising

The Company completed on 16 July 2012 a $600,000 equity raising by way of an issue of shares to institutional investors and shareholders at 2.5 cents due plus 1 option at an exercise price 2.5 cents per option over ordinary share due on 25 September 2012 for every 2.5 fully paid shares taken up by institutions and shareholders in this equity raising. The exercise by institutional investors and shareholders of the option component of the equity raising will generate a further $240,000. (For shareholders information, the board of directors and management have subscribed to 6,060,840 new shares in the Company for $151,521.)

The equity raising closed oversubscribed on 16 July 2012. The Company has issued 27,426,360 ($685,659) fully paid shares since 16 July 2012 to subscribers to the equity issue with a number of subscribers simultaneously exercising their entitlements to options over ordinary shares which expiry on 25 September 2012.

The equity raising, if all options are exercised, will result in the issue of 33,600,000 fully paid shares in the Company with those investors and shareholders that elect to participate being entitled to rank, pari passu, with existing shareholders in the issue of performance shares contemplated by the Heads of Agreement between the Company and APA Financial Services Limited on the new "Indian Pacific Resources Limited" achievement project milestones.

Ambodilafa Farm-in Agreement

On 29 June 2012, the Group entered into a Heads of Agreement with Jubilee Platinum plc to acquire up to 90% of the Ambodilafa project, approximately 68 kilometres from the Tratramarina project, on expending US$3.0 million over three and half years from the date of execution of a Farm-in Agreement.

As at the date 22 August 2012, the Company and Jubilee Platinum plc executed the Ambodilafa Farm-in Agreement and advised shareholders of the outcomes from geological groundwork, initial sampling and assaying results and exploration potential.

Likely developments and expected results

The transaction contemplated by the Heads of Agreement between the Company and APA Financial Services Limited (*see* Significant events after balance date) is unlikely to close until 25 October 2012 with the listing of new shares on the Australian Stock Exchange.

Environmental regulation and performance

The environmental obligations of the Company arise primarily from exploration and evaluation activities. As at the date of this report, the environment obligation of the Company for exploration and evaluation are set out in workbooks (*Cahier de Charges*

Environnementales) issued by the National Office for the Environment (*l'Office National pour l'Environnement*). The workbook requires the Company to undertake environment remedial work on a continuous basis and the Company has incorporated into its exploration budgets funds to rehabilitate sites and cap each drill hole.

In addition, the Company strives to ensure that management and employees, as a minimum, meet environmental performance standards required by the Australian Mining Industry Council.

Indemnification and insurance of directors and officers

The Company has entered into agreements to indemnify the directors, executives and company secretaries named in this report against all liabilities to persons (other than the Company), which arise out of the performance of their normal duties as directors, executives and company secretaries unless the liability relates to conduct involving a lack of good faith or is otherwise prohibited by law. The Company has agreed to indemnify directors, executives and the company secretary against all costs and expenses incurred in defending an action within the scope of the indemnity and any resulting payments.

In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Options over ordinary shares

Unissued shares

As at the reporting date and the date of this report, there are 6,550,000 unissued ordinary shares under options.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

The Company has issued 4,064,880 fully paid shares pursuant to the July 2012 equity raising for the exercise by shareholders of options over ordinary shares at an exercise price of 2.5 cents per option over ordinary share.

As at the date of this report, the Company had 5,561,468 options over ordinary shares with an expiry of 25 September 2012 outstanding and 6,550,000 options over ordinary shares granted to directors and employees under the Long Term Incentive Scheme.

The expiry date of the options over ordinary shares accompanying the July 2012 equity raising is subject to variation as the exercise date is linked to the closure of the APA Financial Services Limited equity raising of $3 million to complete the reverse takeover arrangement agreed between the Company and APA Financial Services Limited.

Signed for and on behalf of the board of directors

SJ Caithness
Executive Chairman and Managing Director

30 August 2012

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Auditor's Independence Declaration to the Directors of Indian Pacific Resources Limited

In relation to our audit of the financial report of Indian Pacific Resources Limited for the financial year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Michael Collins
Partner
30 August 2012

Consolidated statement of comprehensive income
For the financial year ended 31 December 2011

	Note	31 December 2011 $	31 December 2010 $
Total revenue and other income	6	**86,726**	-
Expenditure			
Employee costs		**602,805**	-
Contractors and consultants		**523,556**	93,840
Exploration and evaluation expenditure		**10,000**	61,576
Finance costs		**8,730**	-
Impairment of carrying value in Malagasy iron projects		**2,057,753**	-
Depreciation		**52,119**	15,093
Loss on disposal of property, plant and equipment		**25,213**	-
Insurances		**67,271**	6,309
Travel		**49,285**	4,447
Computing and communications		**59,506**	-
Occupancy		**36,005**	-
Office costs		**18,158**	-
Exchange fluctuation		**2,048**	-
Non-recoverable indirect taxes		**44,740**	-
Other		**3,045**	2,397
Total expenditure		**3,560,234**	183,662
Loss before tax for year		**(3,473,508)**	(183,662)
Income tax (expense)/benefit	7	**-**	-
Net loss for year		**(3,473,508)**	(183,662)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(3,473,508)**	(183,662)
Net loss per share (cents per share)	8		
Basic		(5.60)	(0.89)
Dilutive		(5.60)	(0.89)

Consolidated statement of financial position
As at 31 December 2011

	Note	31 December 2011 $	31 December 2010 $
Assets			
Current assets			
Cash and cash equivalents	10	**806,044**	659,921
Receivables	11	**38,463**	26,625
Other	12	**1,186,278**	35,993
Total current assets		**2,030,785**	722,539
Non-current assets			
Exploration and evaluation	13	**2,062,252**	1,057,885
Property, plant and equipment	14	**170,022**	86,750
Total non-current assets		**2,232,274**	1,144,635
Total assets		**4,263,059**	1,867,174
Liabilities			
Current liabilities			
Payables	15	**254,522**	349,549
Provisions	16	**37,890**	-
Other	17	**699,206**	438,310
Total current liabilities		**991,618**	787,859
Non-current liabilities			
Provisions	18	**1,102**	-
Total non-current liabilities		**1,102**	-
Total liabilities		**992,720**	787,859
Net assets		**3,270,339**	1,079,315
Equity			
Contributed equity	19	**6,886,292**	1,262,977
Reserves	20	**41,217**	-
Accumulated losses	21	**(3,657,170)**	(183,662)
Total equity		**3,270,339**	1,079,315

Consolidated statement of changes in equity
As at 31 December 2011

	Note 19 Share Capital $	Note 20 Share-based Payments Reserve $	Note 21 Accumulated Losses $	Total $
As at 6 October 2009	-	-	-	-
Transactions with owners in their capacity as owners of the Company				
Share issues	1,383,660	-	-	1,383,660
Equity raising costs	(120,683)	-	-	(120,683)
	1,262,977			1,262,977
Net loss for the period	-	-	(183,662)	(183,662)
Other comprehensive income	-	-	-	-
	-	-	(183,662)	(183,662)
Income and expense for the period recognised directly in equity	-	-	-	-
As at 31 December 2010	**1,262,977**	**-**	**(183,662)**	**1,079,315**
Transactions with owners in their capacity as owners of the Company				
Share issues	**4,652,700**	**-**	**-**	**4,652,700**
Shares reserved for issue under contracts of sale	**1,035,781**			**1,035,781**
Equity raising costs	**(65,166)**	**-**	**-**	**(65,166)**
Share-based payments	**-**	**41,217**	**-**	**41,217**
	5,623,315	**41,217**		**5,664,532**
Net loss for the period	**-**	**-**	**(3,473,508)**	**(3,473,508)**
Other comprehensive income	-	-	-	-
	-	**-**	**(3,473,508)**	**(3,473,508)**
Income and expense for the period recognised directly in equity	**-**	**-**	**-**	**-**

Consolidated statement of cash flows
For the financial year ended 31 December 2011

	Note	31 December 2011	31 December 2010
		$	$
Cash flows from/(used) in operating activities			
Payments to employees and suppliers		**(1,315,862)**	(58,930)
Interest received		**81,881**	-
Net cash flows from/(used) in operating activities	26	**(1,233,981)**	(58,930)
Cash flows from/(used) in investing activities			
Acquisition of mining tenements		**(984,974)**	(503,455)
Acquisition of Malagasy Exploration and Mining Pty Limited		**(50,000)**	-
Exploration and evaluation expenditure		**(1,734,606)**	(114,162)
Property, plant and equipment		**(262,447)**	-
Other		**(99,864)**	-
Net cash flows from/(used) in investing activities		**(3,131,891)**	(617,617)
Cash flows from financing activities			
Proceeds from share placements		**4,519,500**	1,409,660
Conversion of amounts due to related parties into shares		**55,000**	-
Shares issued to Ord Minnett Limited pursuant to Letter fo Engagement to raise equity in the Company		**52,200**	-
Equity raising costs		**(112,657)**	(73,192)
		4,514,043	1,336,468
Net cash flows		**148,171**	659,921
Cash and cash equivalents as at the start of the financial period		**659,921**	-
Exchange fluctuation		**(2,048)**	-
Cash and cash equivalents as at the end of the financial period	10	**806,044**	659,921

Note 1 **Corporate information**

The Financial Statements of Indian Pacific Resources Limited (hereafter referred to as the "parent entity") and its controlled entities comprising Malagasy Exploration and Mining Pty Ltd (and its controlled entities comprising IPR Universal Ltd and Universal Exploration Madagascar sarl) and Sinbad Resources sarl represent those for the financial year ended 31 December 2011. The financial statements for the previous period represent those of Company alone. The Financial Statements were authorised for issue in accordance with a resolution of the Board of Directors on 28 August 2012.

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

The principal activities of the Company are exploration for ferrous metals.

Note 2(a) **Basis of preparation and accounting policies**

Preparation

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

The financial report has been prepared on an historical cost basis, except for certain classes of property plant and equipment and investment property which are measured at fair values.

The financial report is presented in Australian dollars.

The Statement of Comprehensive Income for 2011 covers the period 1 January 2011 to 31 December 2011 whilst the Statement of Comprehensive Income for 2010 covers the financial period 6 October 2009 to 31 December 2010.

Statement of compliance

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

Going concern

The Group recorded a net loss of $3,473,508 for the year ended 31 December 2011 and had net current assets of $1,039,167 at 31 December 2011.

The Group has ongoing operating and expenditure cash flow plans in relation to its Exploration interests together with its ongoing corporate and operating expenditure requirements. Expenditure on exploration is inclusive of, but not limited to, those amounts identified in Notes 22 and 23. To fulfil the expenditure requirements contemplated by those plans, the Group will require additional funding.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Groups ability to continue as a going concern. The ongoing operation of the Group is dependent upon the:

(i) The Group raising sufficient additional funding from shareholders or other parties; and/or

(ii) The Group reducing expenditure in line with available funding.

Subsequent to 31 December 2011 the Group has undertaken a $600,000 equity raising with a further $240,000 to be raised through the exercise of a 1:2.5 option by shareholders. This equity raising closed on 16 July 2012, and $685,659 has been received at the date of this report with subscribers to the equity raising simultaneously exercising their entitlement to options over ordinary shares.

In addition on 4 June 2012, the Company entered into a Heads of Agreement with APA Financial Services Limited. Under the terms and conditions of the Heads of Agreement, APA Financial Services Limited will issue the shareholders of IPR with 15,000,000 shares in APA Financial Services Limited, with further shares to be issued on identification of Inferred Resources and completion of a Bankable Feasibility Study. This transaction is subject to a number of Conditions Precedent which are set out in Note 24. At the date of this report, both the Company and APA Financial Services Limited have completed due diligence and an acquisition budget has been agreed between the Company and APA Financial Services Limited. Other conditions precent were progressing to plan.

The directors believe that at the date of signing the financial statements there are reasonable grounds to believe that, having regard to the matters set out above, that the company will be able to raise sufficient funds to meet its obligations as and when they fall due and continue to proceed with the Group's strategic objectives and to fulfil the expenditure currently contemplated within existing plans.

In the event the Group does not obtain sufficient additional funding through the successful completion of the transaction as contemplated with APA Financial Services Limited, or through other means and/or reduce expenditure in line with additional, available funding it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial report.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

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

Note 2(b) Capital management policy

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

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

Note 2(c) Principles of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Derecognises the assets (including goodwill) and liabilities of the controlled entity;

(ii) Derecognises the carrying amount of any non-controlling interest;

(iii) Derecognises the cumulative translation differences recorded in equity;

(iv) Recognises the fair value of the consideration received;

(v) Recognises the fair value of any investment retained;

(vi) Recognises any surplus or deficit in the profit or loss statement; and

(vii) Reclassifies the parent entity's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Note 2(d) **Foreign currency translation**

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

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

Note 2(e) **Revenue recognition**

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

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

Revenue is recognised as follows:

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

Note 2(f) **Income tax**

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Note 2(g) **Leases**

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

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

Note 2(h) Impairment of assets

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

Note 2(i) Cash and cash equivalents

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

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

Note 2(j) Trade receivables

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

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

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

Note 2(k) **Investments and other financial assets**

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

(i) *Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the financial period which are classified as non-current assets.

(iii) *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-for-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the financial period, which are classified as current assets.

(iv) *Available-for-sale financial assets*
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the financial period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or

determinable payments and management intends to hold them for the medium to long term.

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

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

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

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

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

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

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

Note 2(l) **Property, plant and equipment**

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Note 2(m) Exploration and evaluation expenditure

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

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

(i) the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale;

(ii) the exploration and evaluation activities in the area of interest have not at the end of a financial period reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

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

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

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

Note 2(n) Trade and other payables

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

Note 2(o) **Provisions**

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

Note 2(p) **Employee benefits**

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

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

to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

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

Note 2(q) Contributed equity

Ordinary shares are classified as equity.

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

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

Note 2(r) Dividends

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

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

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

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

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

Note 2(t) **Segment reporting**

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

Note 2(u) **New Accounting Standards and Interpretations**

The following significant standards and interpretations have been issued by the AASB but are not yet effective for the period ending 31 December 2011. This list sets out the standards and interpretations issued that the Group reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations (where applicable) when they become effective.

These changes are not currently expected to have a material impact for the Group as at 31 December 2011:

- AASB 124 *Related Party Disclosures;*
- AASB 1054 *Australian Additional Disclosures;*
- AASB 2009-12 *Amendments to Australian Accounting Standards* (AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 1039 and 1052);
- AASB 2010-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (AASB 1, 7, 101 and 134 and Interpretation 13);
- AASB 2010-5 *Amendments to Australian Accounting Standards* (AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023, and 1038 and Interpretations 112, 115, 127, 132 and 1042);
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (AASB 1 and AASB 7)*;
- AASB 2010-9 *Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed dates for First-time Adoptors (AASB 1);* and

- AASB 2011-5 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and proportionate Consolidation* (AASB 127, AASB 128 and AASB 1310.

Note 3 Significant accounting judgments and estimates

The preparation of the Group's financial statements in conformity with International Financial reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

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

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

(ii) *Exploration and evaluation expenditure*
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a resource, in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code 2004 Edition, is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about the future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. In the judgement of the

Directors, at 31 December 2011 exploration activities in each area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each area of interest are continuing and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed.

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

Capitalised expenditure relating to the Sinbad Resources-held tenements subject to the Sinbad and UEM share Sale Agreement was impaired during the period as plan for continued exploration activities were terminated.

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

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

Note 4 Financial risk management objectives and policies

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

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

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

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

Risk exposures and responses

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

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

	31 December 2011	31 December 2010
	$	**$**
Cash and cash equivalents	**806,044**	659,921

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

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

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

	31 December 2011	31 December 2010
	$	**$**
Profit after tax		
Higher/(lower)		
+1% (100 basis points)	**15,000**	7,000
-1% (100 basis points)	**(24,000)**	(7,000)
Equity		
Higher/(lower)		
+1% (100 basis points)	**15,000**	7,000
-1% (100 basis points)	**(24,000)**	(7,000)

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

Foreign currency risk

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

As at 31 December 2011, the Group had US dollar payables $111,237 (2010: $438,278) relating to legal fees.

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

	31 December	
	2011	**2010**
	$	**$**
Profit after tax		
Higher/(lower)		
+5% AUD/USD exchange rate	**11,000**	22,000
-5% AUD/USD exchange rate	**(12,000)**	(22,000)
Equity		
Higher/(lower)		
+5% AUD/USD exchange rate	**11,000**	22,000
-5% AUD/USD exchange rate	**(12,000)**	(22,000)

Commodity price risk

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

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and other receivables. The Group's invests only in short-term deposits with institutions that have AA/Stable/A-1+ ratings for short-term credit.

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

Concentration risk

The Group does not have any concentration risk.

Liquidity risk

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

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

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

Year ended 31 December 2011

	0-30 Days	**31-60 Days**	**61-90 Days**	**91-180 Days**	**Total**
Financial assets					
Cash and cash equivalents	**806,044**	-	-	-	**806,044**
Receivables	**38,463**	-	-	-	**38,463**
Other current assets	**1,186,278**	-	-	-	**1,186,278**
	2,030,785	-	-	-	**2,030,785**
Financial liabilities					
Payables	**(254,522)**	-	-	-	**(254,522)**
Other payables		**(699,206)**	-	-	**(699,206)**
Net maturity	**1,776,263**	**(699,206)**	-	-	**1,077,057**

Year ended 31 December 2010

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Total
Financial assets					
Cash and cash equivalents	659,921	-	-	-	659,921
Receivables	26,625	-	-	-	26,625
Other current assets	35,993	-	-	-	35,993
	722,539	-	-	-	722,539
Financial liabilities					
Payables	(349,549)	-	-	-	(349,549)
Other payables	(438,310)	-	-	-	(438,310)
Net maturity	(65,320)	-	-	-	(65,320)

Fair values

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

Note 5 Segment reporting

The group operates solely in the mining exploration industry.

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

Note 6 Total revenue and other income

	31 December 2011	2010
	$	$
Other income		
Interest on short-term deposits	**86,726**	-

Note 7 Income tax

	31 December 2011	2010
	$	$
Accounting profit/(loss)	**(3,473,508)**	(183,662)
Tax for the financial year		
At the statutory income tax rate applicable to the Company 30%	**1,042,052**	55,099
Tax losses for the current year for which no deferred tax asset is recognised	**(384,376)**	(36,626)
Impairment	**(617,326)**	-
Legal fees	**(54,026)**	-
Exchange fluctuation	**29,041**	-
Share-based payments	**(12,365)**	-
Non-deductible exploration and evaluation	**(3,000)**	(18,473)
Income (tax expense)/benefit	**-**	-

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

The Group has unrecognised tax losses that are available indefinitely of $437,479 to carry forward against future taxable income and unrecognised tax capital losses that are available indefinitely of $692,825 to carry forward against future taxable capital gains.

Note 8 Earnings per share

	31 December 2011 $	31 December 2010 $
Net loss after tax	**(3,473,508)**	(183,662)

	No of shares 2011	No of shares **2010**
Weighted average number of ordinary shares used in calculating basic earnings per share	**62,078,502**	20,749,914
Effect of dilutive securities	-	-
Adjusted weighted average number of ordinary shares used in calculating basic earnings per share	**62,078,502**	20,749,914

The diluted loss per share amount for the year is the same as the basic loss per share amount as options over ordinary shares on issue as at 31 December 2011, which have the potential to dilute the number of ordinary shares on issue, had a non-dilutive effect on the basis loss per share for the year.

Note 9 Dividends paid and proposed

No dividends were paid during the financial year and no dividend is proposed to be paid as at the end of the financial year, 31 December 2011.

Note 10 Cash and cash equivalents

	31 December 2011 $	31 December 2010 $
Cash in hand	**1,008**	-
Cash at bank	**45,997**	54,436
Short-term deposits	**759,039**	605,485
	806,044	659,921

Note 11 Receivables-current

	31 December 2011	31 December 2010
	$	$
GST input credits	**31,208**	26,625
Other receivables	**7,255**	-
	38,463	26,625

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

Note 12 Other current assets

	31 December 2011	31 December 2010
	$	$
Subscription monies held in trust	**1,035,781**	-
Bonds	**99,864**	-
Prepayments	**50,633**	35,993
	1,186,278	35,993

On 18 November 2011, the parent entity commenced an equity raising programme. At balance date, 31 December 2011, the parent entity had received $1,035,781 in subscription monies from shareholders and sophisticated investors under the equity raising programme but had not been allotted as fully paid ordinary shares in the parent entity (see Note 19).

On 10 January 2012, the parent entity issued 10,357,810 fully paid ordinary shares to shareholders and sophisticated investors who participated in the equity raising.

Note 13 Exploration and evaluation

	31 December 2011	31 December 2010
	$	$
At start of financial year	**1,057,885**	-
Additions	**3,062,120**	1,057,885
Impairment	**(2,057,753)**	-
At end of financial year	**2,062,252**	1,057,885

The impairment of exploration and evaluation expenditure relates to expenditure capitalised in respect of tenements held by Sinbad Resources sarl. The Group refocused its exploration strategy during the course of the financial period and elected to advance the Tratramarina prospects as a priority due to specific logistical advantages that potential mining operations could realise from their proximity to the east coast of Madagascar.

Exploration and evaluation expenditure capitalised as at 31 December 2011 primarily relates to the Tratramarina iron ore tenements. Annual renewals relating to mineral sands tenements have also been capitalised as at December 2011.

Note 14 Property, plant and equipment

	31 December 2011	31 December 2010
	$	$
At start of financial year		
Net of accumulated depreciation and impairment	**86,750**	-
Additions	**160,604**	101,843
Depreciation	**(52,119)**	(15,093)
Loss on disposal	**(25,213)**	-
At end of financial year	**170,022**	86,750
at 31 December		
Cost	217,625	101,843
Accumulated depreciation and impairment	(47,603)	(15,093)
Net carrying amount	170,022	86,750

Note 15 Payables-current

	31 December 2011	31 December 2010
	$	$
Trade payables	**205,704**	64,807
Other payables	**48,818**	284,742
	254,522	349,549

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

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

Note 16 Provisions-current

	31 December 2011	2010
	$	$
Annual leave	**37,890**	-

Note 17 Other current liabilities

	31 December 2011	2010
	$	$
NGM Resources Ltd (i)	**699,206**	-
Sinbad Resources sarl (ii)	-	438,310
	699,206	438,310

(i) NGM Resources Ltd

Pursuant to the Malagasy Exploration and Mining Pty Ltd Share Sale Agreement, dated 7 February 2011, the Group agreed to pay NGM Resources Ltd

- $50,000, in cash; and

- 5,000,000 fully paid shares in the Parent entity at 10 cents per share;

on execution of the Malagasy Exploration and Mining Limited Share Sale Agreement; and

- $200,000 on 7 February 2012 (the "Listing Fee").

In addition, the Group granted NGM Resources Ltd a put option over the fully paid ordinary shares issued as part of the consideration. Under the agreement if the parent entity was not listed by 7 February 2012, the parent entity was required to repurchase the shares issued to NGM Resources Ltd at the issue price (10 cents per fully paid ordinary share).

On 27 January 2012, NGM Resources Ltd informed the parent entity that it would exercise its put option and, in consultation with the parent entity, provided an extension to the payment terms.

The Group paid the Listing Fee in two instalments on 7 February 2012 and 7 March 2012 and paid NGM Resources Ltd a further $100,000 pursuant to the exercise of the put option on 7 April 2012. The parent entity owes NGM Resources Ltd $400,000 as at 22 August 2012.

(ii) Sinbad Resources sarl

At balance date 31 December 2010, the Group owed the shareholders of Sinbad Resources sarl A$438,310 for specific infrastructure assets and exploration and evaluation expenditure incurred by the shareholders of Sinbad Resources sarl 1 July 2010 to 3 November 2010, the date of execution of the Sinbad Farm-in and Equity Earn Agreement.

Note 18 Provisions-non current

	31 December 2011	31 December 2010
	$	$
Long service	**1,102**	-

Note 19 Contributed equity

	Number	$
Balance at start of the financial period	-	-
Issue of shares		
Founders	9,036,141	196,766
Seed investors	11,868,945	1,186,894
Equity raising costs	-	(120,683)
	20,905,086	1,262,977
At 31 December 2010	20,905,086	1,262,977
Issue of shares		
Founders	**4,000,000**	**115,000**
Seed investors	**44,855,000**	**4,485,500**
Consideration for acquisition of Malagasy Exploration and Mining Pty Ltd (i)	**5,000,000**	**-**
Consideration pursuant to Letter of Engagement with Ord Minnett Limited	**522,000**	**52,200**
Equity raising costs	**-**	**(65,166)**
	54,377,000	**4,587,534**
Shares reserved for issue under contracts of sale (ii)	**10,357,810**	**1,035,781**
At 31 December 2011	**85,639,896**	**6,886,292**

Note (i) Consideration for acquisition of Malagasy Exploration and Mining Pty Ltd

On 27 January 2012, Paladin Energy Ltd (for and on behalf of NGM Resources Ltd) informed the parent entity that it would exercise its put option which will result in the parent entity repurchasing 5,000,000 fully paid ordinary shares. The amount due to NGM Resources Ltd has been re-classified from Contributed Equity to Other Payables and accounted for on a fair value basis.

Note (ii) Shares reserved for issue under contracts of sale

On 18 November 2011, the parent entity commenced an equity raising programme. At balance date, 31 December 2011, the parent entity had received $1,035,781 in subscription monies from shareholders and sophisticated investors under the equity raising programme but had not been allotted as fully paid ordinary shares in the parent entity (see Note 12).

On 10 January 2012, the parent entity issued 10,357,810 fully paid ordinary shares to shareholders and sophisticated investors who participated in the equity raising and accordingly, all monies advanced were converted to equity subsequent to 31 December 2011.

Ordinary shares

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

Each fully paid ordinary share carries one vote.

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

Options over ordinary shares

At the annual general meeting of shareholders on 8 August 2011, shareholders approved a Long Term Incentive Scheme for key management personnel as well as options over ordinary shares to executive and non-executive directors.

At balance date 31 December 2011, the parent entity had granted to directors and key management personnel 6,550,000 options over ordinary shares. The options are granted subject to each employee completing twelve months of continuous employment with the Group and a five year sales restriction. The options over ordinary shares have a seven year life and vest on satisfaction of the continuation of employment condition.

The financial terms of issue are:

(i) 1,637,500 options over ordinary shares at an exercise price of 20 cents per option over ordinary share;

(ii) 2,456,250 options over ordinary shares at an exercise price of 25 cents per option over ordinary share; and

(iii) 2,456,250 options over ordinary shares at an exercise price of 30 cents per option over ordinary share.

In the event of an unsolicited takeover for the parent entity, all outstanding options over ordinary shares will vest immediately.

The fair values of the options over ordinary shares have been estimated at the date of grant using the Black-Scholes model. The key assumptions used to determine the fair value were:

	31 December	
	2011	**2010**
Dividend yield/%	-	-
Expected volatility/%	**100%**	-
Risk-free interest rate/%	**5%**	-
Expected life of options/years	**7**	-
Option strike prices		-
25.0% of options granted	**$0.20**	-
37.5% of options granted	**$0.25**	-
37.5% of options granted	**$0.30**	-
Last issue price at date of grant	**$0.10**	-

The expected life of the options represents that the period from date of grant until the last day of which the options can be exercised. Under the terms and conditions of grant the options over ordinary share are that the options vest after the holder has completed 12 months of continuous employment and then become subject to a 4 year sale restriction.

No options over ordinary shares have vested at balance date

The expected volatility reflects the highest possible volatility of market conditions which may not represent the actual outcome on exercise.

The seed price share of $0.10 per fully paid ordinary share was used in lieu of a market price at date of grant.

The table below sets out the fair values of the options over ordinary shares for each tranche of the options granted to directors and employees:

	Number of Options	Fair value of option
20 cent options	1,637,500	$0.0781
25 cent options	2,456,250	$0.0757
30 cent options	2,456,250	$0.0736
	6,550,000	$0.0755

The table below sets out the movement in options over ordinary shares for the financial period

	31 December 2011	2010
	No	No
Options at start of the financial period	-	-
Options granted	6,550,000	-
Options exercised	-	-
Options lapsed	-	-
Options at end of the financial period	6,550,000	-

Note 20 Reserves

	31 December 2011	2010
	$	$
Share-based payments to employees	41,217	-

Note 21 Accumulated losses

	31 December 2011	2010
	$	$
Balance at start of the financial period	(183,662)	-
Net loss for the year	(3,473,508)	(183,662)
Balance at end of the financial period	(3,657,170)	(183,662)

Note 22 Commitments

Operating lease commitments

The Group has entered into a number of lease arrangements for premises and property, plant and equipment. The lease arrangements are as follows:

	31 December 2011	2010
	$	$
Within one year	**48,989**	-
Later than one year but not later than five years	**60,272**	-
More than 5 years	-	-
	109,261	-

Exploration and evaluation expenditure commitments

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

The annual renewal fees for all tenements held by Universal Exploration Madagascar sarl (including the Tratramarina and Ambalavato tenements) were $68,280 for the 2012-2013 renewal period.

Note 23 Financial obligations of Universal Exploration Madagascar sarl

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

Universal Exploration Madagascar sarl is a controlled entity of the parent entity and is dependent on the parent entity for the funding of all its exploration and evaluation expenditures, including the acquisition of mining permits.

Note 24 Events after balance date

On 10 January 2012, the parent entity issued 10,357,812 fully paid shares to seed investors at $0.10 per share pursuant to an equity raising to existing shareholders and sophisticated investors announced in late 2011 (see Note 11).

The equity raising closed on 23 February 2012 following the significant event that took place prior to the execution of the Sinbad Farm-in and Equity Earn Agreement as the directors ceased all forms of equity raising until the matter was resolved.

On 27 March 2012 the parent entity and the shareholders in Sinbad Resources sarl terminated the Sinbad and UEM Share Sale Agreement. Under the terms and conditions of the termination, the parent entity continues to hold 100% of the Tratramarina and Ambalavato projects and returned ownership of the shares in Sinbad Resources sarl to the shareholders of Sinbad Resources sarl at the date of execution of the Sinbad and UEM Share Sale Agreement.

On 4 June 2012, the parent entity entered into a Heads of Agreement with APA Financial Services Limited. Under the terms and conditions of the HoA, APA Financial Services Limited will issue the shareholders of the parent entity 120,000,000 fully paid ordinary shares at a deemed share price of 20 cents per share on the following basis:

Fully Paid Ordinary Shares	Milestone
15,000,000	Completion of transaction contemplated by the Heads of Agreement in October 2012
10,000,000	Identification of 100Mt Inferred JORC Resource
35,000,000	Identification of 200Mt Inferred JORC Resource
60,000,000	Completion of a positive Bankable Feasibility Study
120,000,000	

The transaction is subject to the completion of the following Conditions Precedent:

(i) completion by APA Financial Services Limited and the parent entity of Due Diligence within 21 days of execution of the Heads of Agreement;

(ii) APA Financial Services Limited agreeing a budget within 21 days of execution of the Heads of Agreement;

(iii) APA Financial Services Limited obtaining shareholder approval for the completion of the transaction by no later than 31 October 2012;

(iv) APA Financial Services Limited obtaining shareholder approval for the in specie distribution of its equity investment of OneVue investment to existing APA Financial Services Limited shareholders;

(v) APA Financial Services Limited obtaining shareholder approval for a 1:8 consolidation of its shares and options; and

(vi) APA Financial Services Limited preparing a prospectus and raising a minimum $3 million at a share price of 20 cents per share and re-compliance with Chapters 1 and 2 of the Australian Stock Exchange Listing Rules.

Under the Heads of Agreement, the shareholders of APA Financial Services Limited are required to consider and, if thought appropriate, approve a change of name that will result in APA Financial Services Limited being re-named "Indian Pacific Resources Limited" and the parent entity will be entitled to appoint up to four out of a total of five directors that the new "Indian Pacific Resources" Limited will be entitled to appoint, including the Managing Director.

Advisors to APA Financial Services Limited and the parent entity will receive, in total, $150,000 in cash and 1,750,000 in fully paid ordinary shares on completion of the transaction.

As at the date of this report, the parties have completed their respective obligations in relation to due diligence and have commenced the process for APA Financial Services Limited to approve the transaction as well as other matters contemplated by the Conditions Precedent at a general meeting of shareholders.

On 29 June 2012, the parent entity entered into a heads of Agreement with Jubilee Platinum plc to acquire up to 90% of the Ambodilafa project, approximately 68 kilometres from the Tratramarina project, on expending US$3.0 million over three and half years from the date of execution of a Farm-in Agreement.

As at the date 22 August 2012, the parent entity and Jubilee Platinum plc executed the Ambodilafa Farm-in Agreement.

The Company completed on 16 July 2012 a $600,000 equity raising by way of an issue of shares to institutional investors and shareholders at 2.5 cents due plus 1 option at an exercise price 2.5 cents per option over ordinary share due on 25 September 2012 for every 2.5 fully paid shares taken up by institutions and shareholders in this equity raising. The exercise by institutional investors and shareholders of the option component of the equity raising will generate a further $240,000. (For shareholders information, the board of directors and management have subscribed to 6,060,840 new shares in the Company for $151,521.)

The equity raising closed oversubscribed on 16 July 2012. The Company has issued 27,426,360 ($685,659) fully paid shares since 16 July 2012 to subscribers to the equity issue with a number of subscribers simultaneously exercising their entitlements to options over ordinary shares which expiry on 25 September 2012.

The equity raising, if all options are exercised, will result in the issue of 33,600,000 fully paid shares in the Company with those investors and shareholders that elect to participate being entitled to rank, pari passu, with existing shareholders in the issue of performance shares contemplated by the Heads of Agreement between the Company and APA Financial Services Limited on the new "Indian Pacific Resources Limited" achievement project milestones (*see* Significant events after balance date).

Note 25 Related party disclosures

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

SJ Caithness
JM Madden
RS Burns (appointed 22 June 2010)
S Newman (resigned 11 April 2011)

Messrs SJ Caithness and JM Madden subscribed to founders shares during the financial period with the acquisition of 2,500,000 fully paid shares for $55,000. In the previous financial period Messrs Caithness and Madden subscribed to 8,234,002 fully paid ordinary shares for $164,680.

Mr RS Burns subscribed to 250,000 fully paid shares founders shares for $10,000. In the previous financial period Mr Burns subscribed to 802,139 fully paid ordinary shares at both the founders share price and the seed share price for $69,518.

Messrs SJ Caithness and JM Madden funded due diligence costs (including aviation, financial, legal and technical consultants and travel) totalling approximately $163,034 in 2010. During the financial period the parent entity repaid $86,361 of these due diligence costs by way of cash and 2,500,000 fully paid shares for $55,000. At balance date 31 December 2011, Mr Madden was owed $21,673 for due diligence costs.

Mr PL Fowler, a member of the Advisory Board from its incorporation through to the end of the financial period, 31 December 2011, acquired 1,000,000 fully paid ordinary shares at the founders share price for $40,000.

At balance date 31 December 2011, the parent entity held, in trust, subscription monies from Messrs Burns, Caithness and Madden totalling

$99,240 pursuant to the equity raising announced in late November 2011. On 10 January 2012, the parent issued 992,400 fully paid ordinary shares for these subscription monies.
At the general annual meeting of shareholders on 8 August 2011, shareholders approved the granting to Messrs RS Burns, SJ Caithness and JM Madden of 5,400,000 options over ordinary shares at exercise prices of between 20 cents and 30 cents per option over ordinary share.

Messrs Caithness and Madden were awarded an ex gratia entitlement for services rendered to the parent entity from 1 August 2010 to 31 December 2010 and 1 March 2010 to 31 December 2010, respectively, totalling $61,200. The *ex gratia* entitlement was accrued at balance date 31 December 2010 and paid, in cash, on 9 February 2011 following the achievement by the parent entity of its minimum equity raising target.
On 1 March 2011, Messrs Caithness and Madden became full-time employees of the parent entity and were paid $208,330 and $165,684, respectively, as base salaries and $18,750 and $14,911, respectively, for the superannuation guarantee levy.

Pursuant to the Sinbad Farm-in and Equity Earn Agreement, dated 3 November 2010, the parent entity is responsible for the funding of exploration and evaluation expenditure on tenements held by Sinbad Resources sarl. The parent entity provided Sinbad Resources sarl during the financial period with $153,750 (2010: $25,639) in shareholder advances. $52,257 in shareholder advances was converted to equity on execution by the parent entity and the shareholders in Sinbad Resources sarl of the Sinbad and UEM Share Sale Agreement.

Note 26 Cash flow statement reconciliation

	31 December 2011	31 December 2010
	$	$
Net loss after tax	**(3,473,508)**	(183,662)
Adjusted for:		
Depreciation	**52,119**	15,093
Finance costs	**8,730**	-
Exchange fluctuation	**2,048**	-
Impairment	**2,057,753**	-
Loss on disposal of asset	**25,213**	-
Provisions	**32,632**	-
Changes in other current assets and current liabilities:		
Current assets		
Receivables	**(11,838)**	(8,444)
Other	**(14,640)**	(35,993)
Current liabilities		
Payables	**74,625**	154,076
Other	**12,885**	-
	(1,233,981)	(58,930)

Note 27 Key management personnel

Details of key management personnel
Chairman and Managing Director
SJ Caithness

Other executive director, Chief Financial Officer and Company Secretary
JM Madden

Non-executive directors
RS Burns (appointed 1 June 2011)
S Newman (resigned 11 April 2011)

Compensation of key management personnel
Messrs SJ Caithness and JM Madden were awarded an ex gratia entitlement for services rendered to the parent entity from 1 August 2010 to 31 December 2010 and 1 March 2010 to 31 December 2010, respectively, totalling $61,200. The *ex gratia* entitlement was accrued at balance date 31 December 2010 and paid, in cash, on 9 February 2011 following the achievement by the Company of its minimum equity raising target.

Messrs SJ Caithness and JM Madden became fulltime employees of the parent entity on 1 March 2011. Messrs Caithness and Madden were paid

$208,330 and $165,684, respectively during the financial year plus the 9% superannuation guarantee levy. Mr RS Burns, a non-executive director of the parent entity, was paid $23,333 plus 9% the superannuation guarantee levy as directors' fees during the financial year. Mr Newman was not paid any directors' fees.

Both Messrs Caithness and Madden do not have contracts of employment with the parent entity. The board of directors agreed that contracts of employment would be implemented on the parent entity securing sufficient directors to the board so that the terms and conditions could be approved by an independent board of directors.

There were no other benefits paid or payable to Key Management Personnel.

At the annual general meeting on 8 August 2011, shareholders approved the Long-Term Incentive Plan as well as 5,400,000 options over ordinary shares in the parent entity to Messrs Burns, Caithness and Madden. The terms and conditions of the grant of options over ordinary shares are set in Note 19.

Note 28 Parent entity

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

	31 December	
	2011	**2010**
	$	**$**
Current assets	**1,988,013**	722,539
Advances to controlled entities	**1,345,064**	-
Investment in controlled entities	**740,476**	-
Total assets	**4,236,699**	1,867,174
Current liabilities	**930,684**	787,859
Total liabilities	**931,786**	787,859
Issued and paid-up capital	**5,850,511**	1,262,977
Shares reserved for issue under contracts of Sale	**1,035,781**	
Reserves	**41,217**	-
Accumulated losses	**(3,581,379)**	(183,662)
Loss after tax for the parent entity	**(3,397,717)**	(183,662)

Note 29 Auditor's remuneration

	31 December 2011	31 December 2010
	$	**$**
Amounts paid ot due for payable to Ernst & Young		
Audit or review of the financial report	**53,000**	50,000
Other services	**4,126**	-
Balance at end of the financial period	**57,126**	50,000

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

In the opinion of the board of directors:

(a) financial statements, the accompanying notes to the financial statements and the additional disclosures set out in the Directors' Report are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's financial position as at 31 December 2011 and of their performance for the period ended on that date; and

   (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board, as disclosed in Note 2(a); and

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

Signed on behalf of the Board of Directors

SJ Caithness
Chairman
30 August 2012

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Independent auditor's report to the members of Indian Pacific Resources Limited

Report on the financial report

We have audited the accompanying financial report of Indian Pacific Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

ERNST & YOUNG

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Indian Pacific Resources Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 2 Going Concern in the financial report which indicates that the consolidated entity incurred a loss of $3,473,508 during the year ended 31 December 2011 and requires additional funding to enable it to meet its ongoing expenditure plans. As a result of these matters, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

Ernst & Young

Ernst & Young

Michael Collins
Partner
Melbourne
30 August 2012

Schedule of interests in mining permits

Tenement	Approval Date	Owner	Project Title	Agreement	Equity Earn Potential
PR16635	23-Sep-05	UEM	Tratramarina	Owned	100%
PR16637	23-Sep-05	UEM	Tratramarina	Owned	100%
PR16645	23-Sep-05	UEM	Fenoarivo	Owned	100%
PR17206	10-Nov-05	UEM	Fenoarivo	Owned	100%
PR17208	10-Nov-05	UEM	Tratramarina	Owned	100%
PR17245	10-Nov-05	UEM	Fenoarivo	Owned	100%
PR17740	24-Jan-05	UEM	Analalava	Owned	100%
PR19993	23-Sep-05	UEM	Tratramarina	Owned	100%
PR20084	10-Nov-05	UEM	Tratramarina	Owned	100%
PR20085	10-Nov-05	UEM	Fenoarivo	Owned	100%
PR35859	23-Sep-05	UEM	Fenoarivo	Owned	100%
PR35860	23-Nov-05	UEM	Tratramarina	Owned	100%
PR35901	23-Sep-05	UEM	Tratramarina	Owned	100%
PR35902	23-Nov-05	UEM	Analalava	Owned	100%
PR35903	24-Nov-05	UEM	Analalava	Owned	100%
PRE18379-1	12-Jan-06	UEM	Tratramarina	Acquired	100%
PRE18891-1	18-Nov-05	UEM	Tratramarina	Acquired	100%
PR31585 App	Pending	UEM	Analalava	Application	100%
PR31586 App	Pending	UEM	Analalava	Application	100%
PR31587 App	Pending	UEM	Analalava	Application	100%
PR31588 App	Pending	UEM	Analalava	Application	100%
PR6595	20-May-03	Jubilee	Ambodilafa	Farm-in	90%
PR13011	15-Oct-04	Jubilee	Ambodilafa	Farm-in	90%
PR20910	23-Sep-05	Jubilee	Ambodilafa	Farm-in	90%

Shareholders with greater than 1,000,000 fully paid shares

	Unlisted Ordinary Shares	
	Number of Shares	% of total number on issue
Zero Nominees Limited	10,000,000	8.82%
Caithness Family Trust	6,919,210	6.10%
Lorraine Baskerville ATF	5,471,760	4.82%
African Lion 3 Limited	5,000,000	4.41%
Lion Selection Group Limited	5,000,000	4.41%
NGM Resources Limited	4,000,000	3.53%
John Michael Madden	3,830,800	3.38%
WAL Assets Pty Ltd	3,741,525	3.30%
Willstreet Pty Ltd [AMcCorry Superannuation Fund]	3,535,875	3.12%
Basildene Pty Ltd [Warren Brown & Ass Super Fund]	2,988,720	2.63%
Manuel Arturo and Esther Lucia Bayram	2,915,080	2.57%
R&I Burns Superannuation Fund	2,899,454	2.56%
Terrence William Slattery	2,784,928	2.46%
Topole Super Fund [J and S Nota Superannuation Fund]	2,465,120	2.17%
Simhiv Superannuation Fund	2,257,040	1.99%
Madden-Woodford Superannuation Fund	2,066,008	1.82%
Rita Hovagimian and Zaven Hovagimian	2,046,000	1.80%
Jed Trading Pty Ltd	2,000,000	1.76%
Andrea Deborah Murkies	2,000,000	1.76%
Platinum Partners Value Arbitrage LP	2,000,000	1.76%
Trevor Michael Sheahan	1,930,240	1.70%
Jeremy King	1,730,240	1.53%
V&M Superannuation Fund	1,494,360	1.32%
Fifteen Thor Superannuation Fund	1,494,350	1.32%
Taycol Nominees Pty Ltd	1,435,000	1.27%
Alan Mercer	1,374,073	1.21%
John Alexander Bardwell	1,367,920	1.21%
Alan and Betty Scott	1,307,160	1.15%
CIP Corporation Pty Ltd	1,300,000	1.15%
Paul Lightle Fowler	1,250,000	1.10%
Eurogold Limited	1,000,000	0.88%
Lion Trust Company Limited	1,000,000	0.88%
Total	**90,604,863**	**79.88%**

Distribution of ordinary shares

The number of shareholders, by size of holding, is:

	Holders	Shares
1 - 100,000	5	450,000
100,001 - 200,000	12	2,042,906
200,001 - 300,000	11	2,876,200
300,001 - 400,000	6	2,054,820
400,001 - 500,000	10	4,749,545
500,001 - 600,000	4	2,111,074
600,001 - 700,000	4	2,515,766
700,001 - 800,000	-	-
800,001 - 900,000	5	4,371,760
900,001 +	33	91,599,233
Total	**90**	**112,771,304**