SOUTH PACIFIC RESOURCES LTD

ABN 30 073 099 171

CONDENSED
INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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CORPORATE DIRECTORY

Directors
Mr Domenic Martino
Mr Yosse Goldberg
Mr Alvin Tan

Company Secretary
Ms Louisa Martino

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Stock Exchange Listing
Home Exchange-Perth, Australia

ASX Code-SPB

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

DIRECTORS' REPORT

Your Directors submit their report for South Pacific Resources Ltd ("SPB" or the "Company") and its controlled entities (the "Group"), for the half-year ended 31 December 2018 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Directors

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

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

Review and Results of Operations

The operating loss after income tax of the Group for the half-year ended 31 December 2018 was $468,372 (31 December 2017 loss: $639,667).

The Group has made losses during the six-month period under review as it continues to focus on building capacity to advance the significant conventional and unconventional portfolio the Company holds in Papua New Guinea (PNG). The relationship with Tamarind Management (Tamarind) has significantly enhanced SPB's technical and commercial capacity enabling the Company to invest additional efforts in better understanding the conventional, unconventional and business development opportunities in PNG while exploring appropriate expansion into neighbouring jurisdictions where SPB's unique skills and experience will enable a competitive advantage. Discussions continue with potential investors interested in funding SPB's exploration and development opportunities.

SPB is the 100% holder of five petroleum prospecting licences in Papua New Guinea. PPL 366 & 367 are located onshore and PPL 356 & 357 offshore in the highly prospective Papuan Basin close to discovered oil and gas fields. PPL 358 is in the frontier Cape Vogel Basin where oil and gas indications have been reported. SPB is investigating joint exploration opportunities to enhance the prospectivity of their licenses. Tamarind and SPB continue to review the potential of these blocks and are progressing discussions with the PNG Department of Petroleum and Energy to extend license tenure.

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

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

During the half-year, Tamarind and a PNG oil producer continued a joint technical and engineering review of a late-life producing field. The initial aim of the review is to evaluate field redevelopment and appraisal opportunities within the identified asset. If the study outcome is promising, the review will be expanded to evaluate near-field exploration and development opportunities. In parallel, SPB's technical team is evaluating farm-in opportunities in PNG.

Significant Changes in the State of Affairs

There have been no significant changes in the Company's state of affairs during the half-year ended 31 December 2018.

Significant Events after Balance Date

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the Directors

Domenic Martino
Managing Director

Sydney, New South Wales
Date: 15 March 2019

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

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

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

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

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

Signed in accordance with a resolution of the Directors.

Domenic Martino
Managing Director

Sydney, New South Wales
Date: 15 March 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31-Dec-18 $	31-Dec-17 $
Continuing operations			
Other income			
Interest received		-	9
Forgiveness of PNG tax penalties		-	110,866
Gain on extinguishment of convertible note		177,277	-
Total Income		177,277	110,875
Expenses			
ASIC and ASX fees		(16,033)	(20,622)
Consultancy and other professional fees		(75,752)	(80,774)
Directors' fees		(96,000)	(96,000)
IT services		(728)	(528)
Pre-tenure exploration and evaluation expenditure		(6,476)	(58,176)
Impairment of exploration and evaluation expenditure		(6,476)	(7,441)
Interest expense		(165,587)	-
Interest on convertible note		(174,436)	(32,207)
Office rental		(70,928)	(68,200)
Scoping study expense		-	(346,568)
Travel and accommodation expenses		(555)	(1,717)
Other expenses	3	(32,678)	(38,310)
Total Expenditure		(645,649)	(750,543)
Loss from ordinary activities before income tax expense		(468,372)	(639,667)
Income tax expense relating to ordinary activities		-	-
Loss for the period from continuing operations		(468,372)	(639,667)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		(3,751)	(5,561)
Other comprehensive income for the period, net of income tax		(3,751)	(5,561)
Total comprehensive loss attributable to the owners of the parent		(472,123)	(645,228)
Earnings per share for loss from continuing operations attributable to equity holders of the parent entity			
Basic loss per share (cents per share)		(0.28)	(0.39)
Diluted loss per share (cents per share)		(0.28)	(0.39)

The Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31-Dec-18 $	30-Jun-18 $
Current Assets			
Cash and cash equivalents		4,253	3,576
Trade and other receivables		14,301	74,193
Prepayment		18,363	-
Total Current Assets		36,917	77,769
Non-Current Assets			
Rental bond		50,000	-
Office equipment		745	1,945
Exploration assets	4	-	-
Total Non-Current Assets		50,745	1,945
Total Assets		87,662	79,714
Current Liabilities			
Trade and other payables		2,216,905	1,761,562
Borrowings	5	724,769	700,041
Total Current Liabilities		2,941,674	2,461,603
Total Liabilities		2,941,674	2,461,603
Net Liabilities		(2,854,012)	(2,381,889)
Equity			
Issued capital	6	6,802,845	6,802,845
Share based payment reserve	7	504,260	504,260
Foreign currency translation reserve		96,259	100,010
Equity Reserve		27,511	27,511
Accumulated losses		(10,284,887)	(9,816,515)
Total Equity		(2,854,012)	(2,381,889)

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Ordinary Shares $	Equity Reserve $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Attributable to Members $
Balance at 1 July 2018	6,802,845	27,511	504,260	100,010	(9,816,515)	(2,381,889)
Comprehensive expenses for the period:						
Foreign exchange movement	-	-	-	(3,751)	-	(3,751)
Loss for the period	-	-	-	-	(468,372)	(468,372)
Total comprehensive loss for the period	-		-	(3,751)	(468,372)	(472,123)
Transactions with owners in their capacity as owners						
Balance at 31 December 2018	6,802,845	27,511	504,260	96,259	(10,284,887)	(2,854,012)
Balance at 1 July 2017	6,772,845	-	242,247	106,504	(8,610,849)	(1,489,253)
Comprehensive expenses for the period:						
Foreign exchange movement	-	-	-	(5,561)	-	(5,561)
Loss for the period	-	-	-	-	(639,667)	(639,667)
Total comprehensive loss for the period	-	-	-	(5,561)	(639,667)	(645,228)
Transactions with owners in their capacity as owners:						
Issued capital						
Issue of 1,000,000 shares at $0.03 per share in payment of invoice	30,000	-	-	-	-	30,000
Issue of convertible notes	-	27,511	-	-	-	27,511
Issue of 20,000,000 unlisted options (note 7)	-	-	50,832	-	-	50,832
Balance at 31 December 2017	6,802,845	27,511	293,079	100,943	(9,250,516)	(2,026,138)

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31-Dec-2018	31-Dec-2017
	$	$
Cash flows from operating activities		
Cash paid to suppliers and employees	(26,892)	(229,035)
Pre-tenure exploration expenditure	-	(75,174)
Payment for scoping study	-	(346,568)
Interest received	-	9
Net cash used in operating activities	(26,892)	(650,768)
Cash flows from investing activities		
Payment for Exploration assets	-	(7,365)
Net cash used in investing activities	-	(7,365)
Cash flows from financing activities		
Issue of Convertible Notes	-	750,000
Convertible Notes facility fee	-	(65,164)
Proceeds from borrowings	27,569	-
Repayment of loan	-	(37,538)
Net cash from financing activities	27,569	647,298
Net increase/(decrease) in cash and cash equivalents	677	(10,835)
Cash and cash equivalents at beginning of the period	3,576	46,341
Cash and cash equivalents at end of the period	4,253	35,506

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. SIGNIFICANT ACCOUNTING POLICIES

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

The interim condensed consolidated financial report of the Group for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 15 March 2019.

a) Statement of compliance
The interim condensed consolidated financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* The half-year report does not include notes of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this interim condense financial statements shall be read in conjunction with the most recent annual financial report together with any public announcements made by the Company during the half year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

b) Basis of preparation
The interim condensed consolidated financial statements have been prepared on the basis of historic costs. All amounts are presented in Australian dollars, unless otherwise noted.

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

New Accounting Standards
The following Australian Accounting Standards have been issued or amended and are applicable to the half year financial statements of the Group:

AASB No.	Title	Application for annual reporting periods beginning
AASB 9	Financial Instruments	1 January 2018
AASB 15	Revenues from Contracts with Customers	1 January 2018

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

The Group has applied AASB 9 retrospectively. As at the date of initial application 1 July 2018, the Group does not have any trade or other receivable other than the GST receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

As the Group does not hold any equity instruments as financial assets, the Group will determine whether to adopt the irrevocable election to value such instruments at fair value through OCI at a future date.

Consequently, as at the date of initial application, and following assessment by management, there is no material impact on the transactions and balances recognised in the financial statements.

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

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

The classification of financial instruments at initial recognition depends on the financial asset's contractual cashflow characteristics and the Company's business model for managing them. With the exception of the Group's trade receivables that do not contain a significant financing component, the Group initially measures the financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the Group's accounting policy for revenue recognition.

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

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

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

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

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

AASB 15 requires the Group to exercise judgement, taking into account all the relevant facts and circumstances when applying each step of the model to contracts with customers. As the group does not generate revenue from its operation there is no material impact on the transactions and balances recognised in the financial statements. The Group's accounting policy for revenue and other income from 1 July 2018 is as follows:

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

the amount ultimately received is recognised as interest revenue. There is no change to the accounting policy for interest as set out in the 30 June 2018 financial report.

Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount of that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Several other amendments and interpretations apply for the first time at 1 July 2018, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

c) Basis of consolidation

The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of controlled entities is contained in Note 8(a).

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

d) Exploration, evaluation and development assets

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

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

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

e) Comparative figures

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

f) Critical accounting estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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

i. The Group capitalises exploration and evaluation expenditure on the basis that either it is expected to be recouped through future successful development or alternatively sale of the areas of interest. If ultimately the areas of interest are abandoned, not successfully commercialised or there is uncertainty surrounding the veracity of the licences, the carrying value of the capitalised exploration and evaluation expenditure is written down to its recoverable amount or provided for in full. Impairments of exploration and evaluation expenditure may be reversed should the facts and circumstances resulting in the write-down change at a future time;

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

g) Going concern

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

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

The Statement of Comprehensive Income shows the Group incurred a net loss of $468,372 (2017: $639,667) during the half-year ended 31 December 2018.

The Statement of Financial Position as at 31 December 2018 shows that the Company had cash and cash equivalents of $4,253 (30 June 2018: $3,576), a net current liability position of $2,904,757 (30 June 2018: $2,383,834 net current liabilities) and a net liability position of $2,854,012 (30 June 2018: $2,381,889).

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

- The Group raising additional capital via any means available to it inclusive of, but not limited to, placements, option conversions, rights issues, or joint venture arrangement in a timely manner in order to fund the ongoing exploration and operation activities;
- The Group seeking approval to delay exploration activities in certain tenements if sufficient funds are not raised;
- The non-executive and executive Director have deferred receiving payment for their fees if the Group is not in a position to pay these fees;
- The accounting, company secretarial and office rental fees have been deferred until the Group is in a position to pay these fees;
- The Group working with related and non-related creditors to extend repayment terms for a period of no less than 12 months from the date of signing the financial report;
- The convertible noteholder's agreement, signed on 13 March 2019 not to enforce repayment of the monies drawn down under the convertible note facility, and any accrued and unpaid interest, for a least 12 months from the date of signing, unless the Group has sufficient surplus working capital above its estimated requirements; and
- Letters of support from the Managing Director and a related company to ensure that Group has adequate working capital for at least 12 months from the date of this report.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

2. SEGMENT INFORMATION

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

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

3. INCOME AND EXPENSES

	31-Dec-18	31-Dec-17
	$	$
Other expenses		
Bank charges	618	2,039
Exchange difference	-	(7,852)
Insurance	7,008	21,586
Share registry services	7,565	5,092
Other expenses	17,487	17,445
Total other expenses	32,678	38,310

4. EXPLORATION ASSETS

	31-Dec-18	30-Jun-18
	$	$
Capitalised exploration expenditure	2,267,022	2,217,777
Exploration expenditure for the period	6,476	49,245
	2,273,498	2,267,022
Impairment of exploration expenditure	(2,273,498)	(2,267,022)
	-	-

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

Movement in carrying values		
Capitalised exploration expenditure		
Carrying value at the beginning of the period	-	-
Additions	6,476	49,245
Impairment of exploration and evaluation expenditure	(6,476)	(49,245)
Carrying value at end of period	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

5. BORROWINGS

	31-Dec-18	30-June-18
	$	$
Convertible notes (i)	696,700	699,541
Loans payable – related parties	28,069	500
Total borrowings	724,769	700,041

(i) Convertible notes

The parent entity issued 750,000 10% convertible notes for $750,000 on 25 October 2017. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 25 October 2018. The repayment date has subsequently been extended to 25 October 2019, which is recorded as an extinguishment of the previous convertible notes and recognition of new convertible notes.

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

	31-Dec-18	30-June-18
	$	$
Face value of notes issued	750,000	750,000
Transaction Costs	(65,164)	(65,164)
Net proceeds	684,836	684,836
Amount classified as equity (net of transaction costs)	(27,511)	(27,511)
Other equity instruments – issue of options recognised as a cost of the transaction	(229,436)	(229,436)
Unwind of interest	446,088	271,649
Gain on extinguishment of financial liability	(177,277)	-
Current liability	696,700	699,541

6. ISSUED CAPITAL

	31-Dec-18 No.	31-Dec-18 $	30-June-18 No.	30-June-18 $
Fully paid ordinary shares	165,515,311	6,802,845	165,515,311	6,802,845

The movements in fully paid ordinary shares were as follows:

	No	$
Balance as at 1 July 2017	164,515,311	6,772,845
Issue of 1,000,000 shares with an issue price of $0.03 per share in payment of an invoice	1,000,000	30,000
Balance as at 30 June 2018	165,515,311	6,802,845
Balance as at 31 December 2018	165,515,311	6,802,845

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

7. SHARE BASED PAYMENTS

	31-Dec-18 $	30-June-18 $
(a) **Recognised share based payment expenses**		
Opening balance	504,260	242,247
The Issue of 10,750,000 unlisted options to convertible note provider (Note i)	-	229,436
Expensing of unlisted options issued to consultants	-	32,577
Share based payments	504,260	504,260

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

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

Share Price:	$0.023
Exercise Price:	$0.05
Expected share price volatility:	173.49%
Vesting date:	30 November 2017
Expiry date:	30 November 2022
Risk-free interest rate:	2.39%
Dividends:	0%

These options were issued on 22 February 2018. As at 30 June 2018, $229,436 was recognised within the Share Based Payment reserve as a cost of the convertible notes issued. This amount will be expensed within the Statement of Profit or Loss and Comprehensive Income over the term of the convertible notes, as an unwinding of the interest applicable to the financial liability component. Refer to note 5 of this report for further details.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

(b) Options issued as Share Based Payments
Options issued under share based payment arrangements entered into, or existing during the periods ended 31 December 2018 and 30 June 2018 are set out below:

	December 2018		June 2018	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the period	26,950,000	$0.08	36,100,000	$0.101
Granted during the period	-	-	10,750,000	$0.05
Expired during the period	(9,200,000)	$0.07	(19,900,000)	$0.09
Exercised during the period	-	-	-	-
Closing balance	17,750,000	$0.08	26,950,000	$0.08
Exercisable at the end or the period	17,750,000	$0.08	26,950,000	$0.08

8. RELATED PARTY DISCLOSURE

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

	Country of incorporation and operation	Principal activity	Equity interest		Investment	
			31/12/2018 %	30/6/2018 %	31/12/2018 $	30/6/2018 $
Indo Pacific Energy Pty Ltd	Australia	Holding company	100	100	-	-
Coral Sea Petroleum (PNG) Ltd “CSP(PNG)”	Papua New Guinea	Oil and gas exploration	100	100	1	1
Pacific Shale Gas Ltd	Papua New Guinea	Oil and gas exploration	100	100	6,600	6,600
South Pacific Resources Ltd	Papua New Guinea	Oil and gas exploration	100	100	48	48

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

(b) Related party transactions

There are no formal agreements with Directors. Directors are paid on a month to month basis, subject to the deferral arrangement (refer to Note 1(g)). All Directors are paid via their director-related entity, with the exception of Mr. Martino who is paid directly and whose remuneration includes superannuation.

Mr Martino receives $10,000 per month plus superannuation. For the half-year ended 31 December 2018, director fees paid totalled $nil (31 December 2017: $nil) and the amount payable to Mr Martino totalled $60,000 (31 December 2017: $60,000).

Mr Goldberg receives $3,000 per month. For the half-year ended 31 December 2018, director fees paid totalled $nil (31 December 2017: $nil) and the amount payable to Mr Goldberg totalled $18,000 (31 December 2017: $18,000).

Mr Tan receives $3,000 per month. For the half-year ended 31 December 2018 fees paid totalled $nil (31 December 2017: $nil) and the amount payable to Mr Tan totalled $18,000 (31 December 2017: $18,000).

Transaction Services Pty Ltd, a related party of Mr. Martino, provided company secretarial, accounting, office rental and administration services to the Group up to 30 September 2016. From October 2016, Transaction Services Pty Ltd provided office rental and office supplies (refer note 11). Transaction Services Pty Ltd has been paid $nil (excluding GST) for half year to 31 December 2018 (31 December 2017: $52,000) and the amount payable for the half-year ended 31 December 2018 totalled $78,021 (31 December 2017: $75,020)

From 1 October 2016, Indian Ocean Corporate Pty Ltd was a related party of Mr Martino, providing company secretarial, accounting and administration services to the Company. Indian Ocean Corporate Pty Ltd has been paid $nil (excluding GST) for the half year to 31 December 2018 (31 December 2017: $100,000).

During the half year to 31 December 2018, Mr Domenic Martino provided an interest free loan to SPB for payment of Group invoices totalling $28,069 (30 June 2018: $nil).

9. DIVIDENDS PAID

No dividends were paid or provided during the half-year ended 31 December 2018.

10. EVENTS AFTER THE BALANCE SHEET DATE

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

11. COMMITMENTS AND CONTINGENCIES

The Group's commitments in respect of its oil and gas licences as at 31 December 2018 were as follows:

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

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

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

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

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

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

There are nil contingent liabilities for the Group as at 31 December 2018 (30 June 2018: $nil).

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION

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

In relation to the independent review for the half-year ended 31 December 2018, to the best of my knowledge and belief there have been:

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

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

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

Pitcher Partners BA&A Pty Ltd

PITCHER PARTNERS BA &A PTY LTD

JOANNE PALMER
Executive Director
Perth, WA
15 March 2019

SOUTH PACIFIC RESOURCES LTD
ABN 30 073 099 171

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of South Pacific Resources Limited "the Company" and its controlled entities "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PITCHER PARTNERS

SOUTH PACIFIC RESOURCES LTD
ABN 30 073 099 171

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material uncertainty related to going concern

Without modifying our conclusion, we draw attention to Note 1(g) in the half-year financial report, which indicates that the Group incurred a net loss attributable to owners of $468,372 for the half-year ended 31 December 2018. These conditions along with other matters set forth in Note 1(g) give rise to a material uncertainty which may cast a significant doubt about the ability of the Group to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Pitcher Partners BA&A Pty Ltd

PITCHER PARTNERS BA&A PTY LTD

JOANNE PALMER
Executive Director
Perth, WA
15 March 2019