

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

**Annual Report  
Year 31 December 2019**

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## **DIRECTORS' REPORT**

The directors present their report, together with the financial statements of Indian Pacific Resources Limited (ACN 139 847 555) (hereafter referred to as the "Company"), for the financial year ended 31 December 2019.

### **Principal Activities**

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

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

The net loss after tax attributable to shareholders of Indian Pacific Resources Limited of \$945,983 the year ended 31 December 2019 (the net loss after tax for the previous financial year was A\$350,788). The increase in the net loss largely results from the recognition of remuneration for directors and management for the period 1 July 2016 to 30 June 2019. In 2016, the board of directors agreed that they would not seek any emoluments from the Company until such time as it raised a minimum of \$2.5 million. The board of directors proposed for the remuneration to be settled by way of the issue of shares. The increase in the loss is partly offset by settlement for fees outstanding from the withdrawal from the LSE listing for significantly less than expected.

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

### **Dividends**

No dividends were declared and paid during the year.

### **Events After Balance Date**

On 30 January 2020, the World Health Organisation declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The operations of the Company could be negatively impacted by the regional and global outbreak of COVID-19 and may impact the Company's results and its ability to source funding for the next reporting year.

As at the date of this report, the full effect of the outbreak remains uncertain. The effects are likely to be significant but cannot be reliably estimated or quantified. The Group will monitor the ongoing developments and be proactive in mitigating the impact on its operations.

On 25 March 2020, shareholders approved the issue of 31,830,000 fully paid ordinary shares to directors and management, including directors who have resigned and directors removed from office. The shares were issued at 2 cents or a 15% premium to the previous share issue with shares to the three directors subject to a "lock-up" based on continuation of services for 2 years.

The Company and Cline Mining Corporation agreed a valuation for the Company to acquire its 25% equity interest in the Iron Ore Corporation of Madagascar sarl and conversion of its rights to fully paid ordinary shares under the Deeds of Variation. Cline agreed to a payment of US\$192,500 to be converted into Australian dollars on the completion date and the fully paid ordinary shares to be issued at 2.5 cents per fully paid ordinary shares.

The Company retained Bentleys, Dentons Australia, Harbury Capital Limited and Wardell Armstrong International plc as consultants to and lead the Company through the listing process on the Australian Securities Exchange.

**Environmental Issues**

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

**Information on Directors**

The following persons were the directors in office during the period 1 January 2019 to 31 December 2019 and since year-end unless otherwise stated:

PG Bibby (Non-executive Director), appointed 3 July 2015

MA Burrige (Non-executive Director), resigned 5 May 2019

SL Fabian (Non-executive Director), appointed 23 January 2017

JM Madden (Executive Director and Company Secretary), appointed 6 October 2009

DL Wu (Non-executive Director and Chairman), removed on 23 August 2019

**Options**

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

**Proceedings on Behalf of Company**

The Company has no outstanding or pending litigation whether brought by the Company or brought against the Company by a third party.

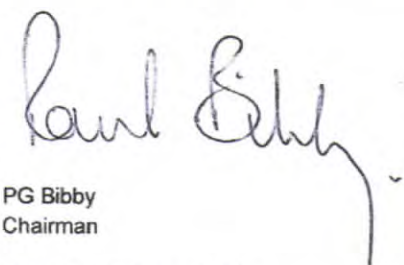
**Non-Audit Services**

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

**Auditor's Independence Declaration**

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

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



PG Bibby  
Chairman

Dated this 5 August 2020



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To The Board of Directors

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

As lead audit Partner for the audit of the financial statements of Indian Pacific Resources Limited for the financial year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**DOUG BELL CA**  
**Partner**

Dated at Perth this 5<sup>th</sup> day of August 2020

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME**

	Note	31 December	
		2019	2018
		\$	\$
<b>Total revenue and other income</b>	<b>6</b>	<b>202</b>	<b>6,514</b>
<b>Expenditure</b>			
Administration costs		53,408	74,486
Employee costs		752,948	76,053
Deferment of settlement terms for acquisition of Ore Corporation of Madagascar sarl costs		-	53,131
Finance costs		20,000	-
Contractors and consultants		94,225	47,711
Exchange fluctuation		56,459	85,704
Listing costs	7	(156,826)	-
Travel		87,660	-
Other		6,381	3,651
<b>Total expenditure</b>		<b>914,255</b>	<b>340,736</b>
<b>Loss before tax for year</b>		<b>(914,053)</b>	<b>(334,222)</b>
Income tax (expense)/benefit	8	-	-
<b>Net loss</b>		<b>(914,053)</b>	<b>(334,222)</b>
<b>Net loss for the year attributable to:</b>			
Non-controlling interests		31,930	16,566
Owners of Indian Pacific Resources Limited		(945,983)	(350,788)
		<b>(914,053)</b>	<b>(334,222)</b>
<b>Items that have been or may be subsequently reclassified to profit or loss</b>			
Translation reserve			
Non-controlling interests		13,071	(7,161)
Owners of Indian Pacific Resources Limited		(50,550)	60,004
<b>Total comprehensive income for the year</b>		<b>(37,479)</b>	<b>52,843</b>
<b>Total comprehensive income for the year attributable to:</b>			
Non-controlling interests		45,001	9,405
Owners of Indian Pacific Resources Limited		(981,438)	(283,623)
		<b>(936,437)</b>	<b>(274,218)</b>

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December	
		2019	2018
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	2,091,819	83,538
Receivables	11	14,419	5,739
Other	12	2,807	2,842
<b>Total current assets</b>		<b>2,109,045</b>	<b>92,119</b>
<b>Non-current assets</b>			
Exploration and evaluation	13	3,133,129	2,970,267
Property plant and equipment	14	12,831	-
<b>Total non-current assets</b>		<b>3,145,960</b>	<b>2,970,267</b>
<b>Total assets</b>		<b>5,255,005</b>	<b>3,062,386</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	15	775,361	231,686
Provisions	16	23,857	21,293
Borrowings and other liabilities	17	-	240,000
Deferred consideration	18	161,802	407,340
<b>Total current liabilities</b>		<b>961,020</b>	<b>900,319</b>
<b>Total liabilities</b>		<b>961,020</b>	<b>900,319</b>
<b>Net assets</b>		<b>4,293,985</b>	<b>2,162,067</b>
<b>Equity</b>			
Contributed equity	19	18,832,748	15,971,191
Other contributed equity	20	221,893	
Reserves	21	(161,038)	(110,488)
Accumulated losses	22	(14,734,436)	(13,788,453)
Equity attributable to shareholders of IPR		4,159,167	2,072,250
Attributable to non-controlling interests	23	134,818	89,817
<b>Total equity</b>		<b>4,293,985</b>	<b>2,162,067</b>

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note 19 Share Capital	Note 20 Other Contributed Equity	Note 21 Translation Reserve	Note 22 Accumulated Losses	Equity Attributable to Shareholders of IPR	Note 23 Equity Attributable to Non-controlling Interests	Total Equity
	\$		\$	\$	\$	\$	\$
As at 31 December 2017	15,929,635	-	(177,653)	(13,437,665)	2,314,317	80,412	2,394,729
Transactions with owners in their capacity as owners of the Company							
Share issues	41,556	-	-	-	41,556	-	41,556
Equity raising costs	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
Net loss for the period	41,556	-	-	-	41,556	-	41,556
Other comprehensive income	-	-	-	(350,788)	(350,788)	16,566	(334,222)
Total comprehensive income	-	-	67,165	-	67,165	(7,161)	60,004
Newly consolidated entities	-	-	67,165	(350,788)	(283,623)	9,405	(274,218)
Income and expense for the period recognised directly in equity	-	-	-	-	-	-	-
As at 31 December 2018	15,971,191		(110,488)	(13,788,453)	2,072,250	89,817	2,162,067
Transactions with owners in their capacity as owners of the Company							
Share issues	2,510,456	-	-	-	2,510,456	-	2,510,456
Equity raising costs	(119,859)	-	-	-	(119,859)	-	(119,859)
Other contributed equity	-	221,893	-	-	221,893	-	221,893
Conversion of convertible notes	360,000	-	-	-	360,000	-	360,000
Share-based payments	110,960	-	-	-	110,960	-	110,960
	2,861,557	221,893	-	-	3,083,450	-	3,083,450
Net loss for the period	-	-	-	(945,983)	(945,983)	31,930	(914,053)
Other comprehensive income	-	-	(50,550)	-	(50,550)	13,071	(37,479)
Total comprehensive income	-	-	(50,550)	(945,983)	(996,533)	45,001	(951,532)
Income and expense for the period recognised directly in equity	-	-	-	-	-	-	-
As at 31 December 2019	18,832,748	221,893	(161,038)	(14,734,436)	4,159,167	134,818	4,293,985

The accompanying notes form part of these financial statements



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	31 December 2019 \$	31 December 2018 \$
<b>Cash flows from/(used) in operating activities</b>			
Payments to employees and suppliers		(259,103)	(250,346)
Interest received		202	497
Net cash flows from/(used) in operating activities	29	(258,901)	(249,849)
<b>Cash flows from/(used) in investing activities</b>			
Proceeds from sale of tenements		-	6,017
Settlement of acquisition of IOCM		(253,478)	-
Exploration and evaluation expenditure		(200,562)	(81,622)
Property plant and equipment		(12,831)	-
Net cash flows from/(used) in investing activities		(466,871)	(75,605)
<b>Cash flows from financing activities</b>			
Proceeds from share issues		2,732,349	8,700
Equity raising costs		(49,777)	-
Proceeds from borrowings		100,000	-
		2,782,572	8,700
<b>Net cash flows</b>		2,056,800	(316,754)
<b>Cash and cash equivalents as at the start of the financial period</b>		83,538	400,292
<b>Exchange fluctuation</b>		(48,519)	-
<b>Cash and cash equivalents as at the end of the financial period</b>	10	2,091,819	83,538

The accompanying notes form part of these financial statements

**Note 1 Corporate information**

The Financial Statements of Indian Pacific Resources Limited (hereafter referred to as the "parent entity") and its controlled entities comprising Malagasy Holdings (Tratramarina Pty Ltd (formerly Malagasy Exploration and Mining Pty Ltd) and its controlled entity Universal Exploration Madagascar sarl) and Malagasy Holdings (Bekisopa) Pty Ltd (formerly IPR Services Pty Ltd) and its controlled entity Iron Ore Corporation of Madagascar sarl) for the financial year ended 31 December 2019.

The Financial Statements were authorised for issue in accordance with a resolution of the Board of Directors on 5 August 2020.

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

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

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

*Preparation*

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

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

The financial report is presented in Australian dollars.

The Statement of Comprehensive Income for both 2019 and 2018 covers the period 1 January to 31 December in each year.

*Statement of compliance*

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

*Going concern*

The Group recorded a net loss of \$945,983 (2018: \$350,788) and incurred cash outflows from operating and investing activities of \$725,772 for the year ended 31 December 2019 (2018: \$325,454). Its investing activities including, the once-off extinguishment of the deferred consideration payable to Cline Mining Corporation of \$253,478. As at 31 December 2019, the Group had working capital of \$1,946,428 (excluding accrued remuneration for directors and management of \$636,601 and amount due to Cline Mining Corporation to be extinguished by way of the issue of fully paid ordinary shares). The Group had a working capital deficiency in the previous year of \$808,200.

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 25 and 26. To fulfil the expenditure requirements contemplated by those plans, the Group will require additional funding.

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

The ongoing operation of the Group is dependent upon:

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



- (ii) The group converting existing loans to equity and if necessary, deferring deferred payment arrangements; and
- (iii) The Group reducing expenditure in line with available funding.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report. Included in this forecast is a successful listing of the Company on the Australian Securities Exchange.

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

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

*Critical accounting estimates*

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

**Note 2(b) Capital management policy**

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

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

**Note 2(c) Principles of consolidation**

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) Derecognises the assets (including goodwill) and liabilities of the controlled entity;
- (ii) Derecognises the carrying amount of any non-controlling interest;
- (iii) Derecognises the cumulative translation differences recorded in equity;
- (iv) Recognises the fair value of the consideration received;
- (v) Recognises the fair value of any investment retained;
- (vi) Recognises any surplus or deficit in the Statement of Comprehensive Income statement; and
- (vii) Reclassifies the parent entity's share of components previously recognised in other comprehensive income to Statement of Comprehensive Income or retained earnings, as appropriate.



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

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

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

**Note 2(e) Revenue recognition**

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**Note 2(f) Income tax**

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

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

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



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

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

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

**Note 2(g) Leases**

The Group has applied AASB 16 *Leases* to its lease obligations. Under this new standard, the group is required to recognise all right of use assets and lease liabilities, except for short-term (12 months or fewer) and low value leases, on the balance sheet. The lease liability is initially measured at the present value of future lease payments for the lease term. Where a lease contains an extension option, the lease payments for the extension period will be included in the liability if the Group is reasonably certain that it will exercise the option. The liability includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right of use asset at initial recognition reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provision for dismantling and restoration.

The Group has recognised depreciation of right of use assets and interest on lease liabilities in the statement of comprehensive income over the lease term. Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the cash flow statement.

The Group has measured the rights to use as if AASB 16 has applied since the commencement date of the lease arrangements and used the incremental borrowing rate at the date of transition. Under this approach the Group has capitalised the rights to use and recorded the present value of obligations to pay as a liability by applying a single incremental borrowing rate with an adjustment to the opening balance of accumulated losses.

The Group has assessed the financial implications of application of AASB 16 *Leases* and concluded that there is no impact.

**Note 2(h) Impairment of assets**

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

**Note 2(i) Cash and cash equivalents**

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



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

**Note 2(j) Trade receivables**

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

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

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

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

*Classification*

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

- (i) *Financial assets at fair value through Statement of Comprehensive Income*  
Financial assets at fair value through Statement of Comprehensive Income include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.
- (ii) *Loans and receivables*  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the financial period which are classified as non-current assets.

*Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss through the amortisation process and when the financial liability is derecognised.

*Re-classification*

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



receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

*Recognition and derecognition*

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

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

*Subsequent measurement*

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

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

*Impairment*

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

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

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

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

- Computer hardware and software 3 years



- Exploration equipment 5 years
- Motor vehicles 4 years
- Office furniture and fittings 5 years

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

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

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

**Note 2(m) Exploration and evaluation expenditure**

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

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

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

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

*Impairment*

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

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

**Note 2(n) Trade and other payables**

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

**Note 2(o) Provisions**

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

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

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

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

**Note 2(p) Employee benefits**

*(i) Short-term obligations*

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

*(ii) Other long-term employee benefit obligations*

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

*(iii) Termination benefits*

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

**Note 2(q) Contributed equity**

Ordinary shares are classified as equity.

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

If the Group reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or



loss is recognised in Statement of Comprehensive Income and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

**Note 2(r) Dividends**

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

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

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

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

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

**Note 2(t) Segment reporting**

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

**Note 2(u) New Accounting Standards for Application in Future Periods**

*i. AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses.

Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied amendments retrospectively.

However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

*ii. AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

*iii. AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

The amendments clarify that the disclosure requirements in AASB 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

**Note 3 Significant accounting judgments and estimates**

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

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

- (i) *Functional currency*  
The functional currency of foreign operations has been determined as Australian dollars. This outcome has resulted from examination of the prevailing facts and circumstances, including the basis on which the entities incur obligations for exploration and evaluation activities and the basis on which the foreign operations are funded.
- (ii) *Exploration and evaluation expenditure*  
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a resource, in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code 2012 Edition, is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about the future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 31 December 2019 exploration activities in each area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each area of interest are continuing and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed.

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



**Note 4**

**Financial risk management objectives and policies**

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

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

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

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

Risk exposures and responses

*Interest rate risk*

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

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

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

Risk exposures and responses

*Interest rate risk*

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

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

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<b>2,091,819</b>	<b>83,538</b>

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 Westpac Banking Corporation.

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:

## NOTES TO THE FINANCIAL STATEMENTS

	31 December	
	2019	2018
	\$	\$
<b>Profit after tax</b>		
<b>Higher/(lower)</b>		
+1% (100 basis points)	32,630	7,257
-1% (100 basis points)	(10,877)	(2,419)
<b>Equity</b>		
<b>Higher/(lower)</b>		
+1% (100 basis points)	32,428	6,760
-1% (100 basis points)	(10,675)	(1,922)

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 its 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 2019, the Group had US dollar payables \$161,802 (2018: \$407,340). The Group holds its cash balances in US dollars and transfers US dollars to Madagascar as and when required. The Group has identified its Australian dollar exposures and exchanges US dollars for Australian dollars when it considers market conditions are advantageous.

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	
	2019	2018
	\$	\$
<b>Profit after tax</b>		
<b>Higher/(lower)</b>		
+5% AUD/USD exchange rate	104,512	(28,202)
-5% AUD/USD exchange rate	(115,514)	31,171
<b>Equity</b>		
<b>Higher/(lower)</b>		
+5% AUD/USD exchange rate	104,512	(28,202)
-5% AUD/USD exchange rate	(115,514)	31,171

### *Commodity price risk*

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

### *Credit risk*

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



## NOTES TO THE FINANCIAL STATEMENTS

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

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

### *Concentration risk*

The Group does not have any concentration risk.

### *Liquidity risk*

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

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

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

### Year ended 31 December 2019

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Total
<b>Financial assets</b>					
Cash and cash equivalents	2,091,819	-	-	-	2,091,819
Receivables	14,419	-	-	-	14,419
Other current assets	2,807	-	-	-	2,807
	<u>2,109,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,109,045</u>
<b>Financial liabilities</b>					
Payables	(100,436)	-	-	-	(100,436)
Other payables	-	-	-	(836,727)	(836,727)
Net maturity	<u>2,008,609</u>	<u>-</u>	<u>-</u>	<u>(836,727)</u>	<u>1,171,882</u>

### Year ended 31 December 2018

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

### *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.

### *Non-cash settlement*

Other payables set in the above as at 31 December 2019 of \$816,727 are to be extinguished by way of the issue of fully paid ordinary shares rather than settlement by way of cash.

**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	
	2019	2018
	\$	\$
<b>Other income</b>		
Proceeds from sale of tenement	-	6,017
Interest on short-term deposits	202	497
	<u>202</u>	<u>6,514</u>

**Note 7 Listing Costs**

The Company abandoned its LSE listing in 2017 following the withdrawal of its broker, Panmure Gordon & Co, which was subject to a takeover when the marketing commenced. PG&Co refocused its business on larger transactions under new management which meant the transaction with the Company was not of a magnitude that PG&Co wished to pursue.

The Company negotiated settlements with parties retained for the listing which resulted in an over-accrual of \$156,826.

**Note 8 Income tax**

	2019	2018
	\$	\$
Accounting profit/(loss)	<u>(914,053)</u>	<u>(334,222)</u>
At the statutory income tax rate applicable to the Company 27.5% (2018: 27.5%)	251,365	91,911
Tax losses for the current year for which no deferred tax asset is recognised	(21,638)	17,219
Capital losses	-	14,611
Exchange fluctuation	(15,526)	(20,915)
Implicit interest	(5,500)	-
Listing costs	(25,423)	(102,826)
Share-based accruals	(183,278)	-
Income tax (expense)/benefit	<u>-</u>	<u>-</u>

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



## NOTES TO THE FINANCIAL STATEMENTS

The Group has unrecognised tax losses that are available indefinitely of \$7,505,072 (2018: \$7,375,361) to carry forward against future taxable income and unrecognised tax capital losses that are available indefinitely of \$6,531,564 (2018: \$6,531,564) to carry forward against future taxable capital gains.

### **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 2019.

### **Note 10 Cash and cash equivalents**

	31 December	
	2019	2018
	\$	\$
Cash in hand	42	42
Cash at bank	2,088,664	13,458
Short-term deposits	3,113	70,038
	<u>2,091,819</u>	<u>83,538</u>

### **Note 11 Receivables-current**

	31 December	
	2019	2018
	\$	\$
GST input credits	<u>14,419</u>	<u>5,739</u>

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

### **Note 12 Other current assets**

	31 December	
	2019	2018
	\$	\$
Bonds	<u>2,807</u>	<u>2,842</u>

Note 13

Exploration and evaluation

	31 December	
	2019	2018
	\$	\$
At start of financial year	2,970,267	2,880,650
Additions	162,862	89,617
Impairment	-	-
At end of financial year	3,133,129	2,970,267

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

Ambodilafa	1,398,820	1,380,354
Bekisopa	741,722	636,546
Tratramarina	992,587	953,367
	3,133,129	2,970,267

*Ambodilafa Farm-in Agreement*

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

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

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

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

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

As at balance date, 31 December 2019 the Company had earned an 90% equity interest in the Ambodilafa tenements. The Company has advised Jubilee that it would elect to buy-out the residual interest by way of a royalty; however, as at the date of this report the Company and Jubilee have not formalised this arrangement.

*Bekisopa Share Sale and Purchase Agreement*

On 16 June 2014, the Company acquired Iron Ore Corporation of Madagascar sarl pursuant to a Share Sale and Purchase Agreement and the simultaneous execution of a Shareholders Agreement with Cline Mining Corporation. Under the terms and conditions of the Share Sale and Purchase Agreement, the Company paid Cline US\$25,000 (the "First Instalment") on execution of the above-mentioned agreement and agreed to pay, on 17 June 2019, a further US\$175,000 (the "Second Instalment"). In addition, the Company



agreed to pay outstanding annual administration fee (*frais d'administration annuel*) to the Bureau of Cadastre Mines of Madagascar (*Bureau du Cadastre Minier de Madagascar or BCMM*) as well as settling outstanding liabilities in Madagascar.

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

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

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

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

On 13 December 2019, the Company extinguished its obligations to Cline under the Share Sale & Purchase Agreement with the payment of A\$253,478. Further, on 25 July 2020, the Company and Cline agreed terms for the Company to acquisitions its 25% equity position in IOCM and convert its rights under the Deeds of Variation to the Share Sale & Purchase Agreement by way of the issue of fully paid ordinary shares.

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

The Company deferred the payment of the 2019/2020 administration fees for a number of tenements associated with the Ambodilafa and Tratramarina projects. The Bureau du Cadastre Miner de Madagascar advised tenement holders that it would not cancel any tenements that renewal fees became in arrears as a result of the failure of the government to grant, renew or transform tenements. The decision by the Company was consistent with other miners and explorers who have demanded the government address the shortcomings of previous administrations.

The Company has sighted BCMM approved renewals and transformation of its tenements. The documents are now awaiting ministerial seal which is expected during the course of 2020. On receipt of renewals the Company will pay the BCMM approximately A\$70,000 in administration fees plus penalties. The Company has accrued the 2019/20 administration fees outstanding as at 31 December 2019.



**Note 14**                      **Property plant and equipment**

	31 December	
	2019	2018
	\$	\$
Cost		
Opening balance	-	-
Additions	12,831	-
Closing balance	12,831	-
Accumulated depreciation		
Opening balance	-	-
Depreciation	-	-
Closing balance	-	-
Net carrying value	12,831	-

**Note 15**                      **Payables-current**

	31 December	
	2019	2018
	\$	\$
Trade payables	100,436	231,686
Other payables	674,925	-
	775,361	231,686

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.

The amount disclosed as Other payables includes \$636,601 which relates to the amounts due to directors of the Company from 1 July 2016 to 30 June 2019 which was extinguished by the issue of fully paid ordinary shares in the Company at 2 cents per share by way of resolutions approved by shareholders at a general meeting on were the subject to a general meeting of shareholders on 25 March 2020.

**Note 16**                      **Provisions-current**

	31 December	
	2019	2018
	\$	\$
Annual leave	23,857	21,293

Note 17

Borrowings and other liabilities

	31 December	
	2019	2018
	\$	\$
Opening balance	240,000	240,000
Convertible notes issued	100,000	-
Finance cost	20,000	-
Convertible notes converted into fully paid ordinary shares	(360,000)	-
Closing balance	-	240,000

Pursuant to a Convertible Note instrument Tranche 1, Baker Steel Resources Trust provided the Company with A\$200,000 for working capital in July 2017 with associated borrowing costs of \$40,000. The loan instrument is convertible, on shareholder approval, into fully paid ordinary shares of 1 cent per share.

On 3 June 2019, the Company and Baker Steel Resources Trust agreed to a Tranche 2 convertible note facility of \$100,000 with associated borrowing costs of \$20,000 on the same terms and conditions as Tranche 1.

On 13 August 2019, Baker Steel Resources Trust exercised its rights to convert its convertible note Tranche 1 and Tranche 2 into 36,000,000 fully paid ordinary shares in the Company.

Note 18

Deferred consideration

Current

	31 December	
	2019	2018
	\$	\$
Cline Mining Corporation	161,802	407,340

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

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

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

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

The Company and Cline entered into a further extension to the settlement of the Second Instalment due under the Share Sale and Purchase agreement on 12 December 2018 for a



period of 12 months for US\$37,500 in fully paid ordinary shares based on the 30-day volume-weighted average price immediately prior to 12 December 2019.

On 13 December 2019, the Company extinguished its obligation to Cline (principal excluding interest and penalties) under the Share Sale and Purchase Agreement with the cash payment of \$253,478 and agreed on 25 July 2020 to acquire its 25% equity interest in Iron Ore Corporation of Madagascar sarl as well as extinguish its obligation to Cline under the Deeds of Variation through the issue of fully paid ordinary share in the Company at 2.5 cents per fully paid ordinary shares.

**Note 19**

**Contributed equity**

	Number	\$
At 31 December 2017	189,295,579	15,929,635
Issue of shares		
Reimbursement of directors for out-of-pocket expenses	712,644	12,400
Settlement of amount due to Jubilee Metals Group plc for Ambodilafa costs	1,175,632	20,456
Share issues	500,000	8,700
	2,388,276	41,556
At 31 December 2018	191,683,855	15,971,191
Issue of shares		
Conversion of convertible note Tranche 1 and 2 by Baker Steel Resources Trust	36,000,000	360,000
Equity raising costs	4,027,685	70,082
Settlement of creditors	2,349,310	40,878
Share Placement	144,279,081	2,510,456
	186,656,076	2,981,416
Equity raising costs		(119,859)
	186,656,076	2,861,557
At 31 December 2019	378,339,931	18,832,748

*Ordinary shares*

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

Each fully paid ordinary share carries one vote.

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

*Options over ordinary shares*

There are no options over ordinary shares on issue.

*Performance shares*

On 26 October 2016, the Company entered into a Heads of Agreement with Westridge Management International Pty Ltd whereby the latter was entitled to performance rights equal to 12% of the total number of shares after raised a minimum of \$2.5 million on listing the Company on the London Stock Exchange. Westridge did not achieve the milestone to be awarded the performance shares and accordingly, the arrangement with Westridge lapsed on 30 September 2017 when the Company abandoned the listing.

**Note 20**

**Other contributed equity**

	31 December	
	2019	2018
	\$	\$
Balance at start of the financial period	221,893	-

Other contributed equity relates to monies received from investors for shares have not been issued as at balance date.

**Note 21**

**Translation reserve**

	31 December	
	2019	2018
	\$	\$
Opening balance	(110,488)	(177,653)
Translation of foreign currency financial statements into the functional currency	(50,550)	67,165
Transfer of exchange fluctuation for previous years from accumulated losses	-	-
Closing balance	(161,038)	(110,488)

**Note 22**

**Accumulated losses**

	31 December	
	2019	2018
	\$	\$
Balance at start of the financial period	(13,788,453)	(13,437,665)
Net loss for the year	(945,983)	(350,788)
	(14,734,436)	(13,788,453)



**Note 23**

**Non-controlling interests**

	31 December	
	2019	2018
	\$	\$
Share capital	2,552	2,552
Reserves	62,893	75,964
Accumulated losses	(68,091)	(100,021)
	(2,646)	(21,505)
Loans contributed by Indian Pacific Resources Limited and assigned to Cline	137,464	111,322
	(134,818)	(89,817)

Pursuant to the Shareholders Agreement, the Group is required to fund all expenditures by way of loans to Iron Ore Corporation Of Madagascar sarl until the payment of the Second Instalment set out in the Share Sale and Purchase Agreement and assign 25% of the loans made to Cline Mining Corporation.

Following the payment of the Second Instalment, both shareholders of IOCM must fund their share of expenditure by way of interest-free loans in proportion to their respective interests in the uncertificated shares of IOCM. The Group extinguished its obligation to pay the Second Instalment on 13 December 2019 and accordingly, Cline is required to fund its share of expenditure from 1 January 2020.

Under the Shareholders Agreement if a party fails to fund its share of the Cash Call made by IOCM to fund its expenditure, the non-defaulting shareholder can serve a Notice of Default on the defaulting shareholder and, if the defaulting does not rectify its default within 60 days, the non-defaulting share is entitled to exercise its right to dilute the defaulting shareholder by 50% of each default. Where the defaulting shareholder's equity interest falls below 5%, the defaulting shareholder is required to assign its equity interest and its shareholder loans to the non-defaulting shareholder for zero consideration and accordingly, will have no rights to any assets or obligation for any liabilities in IOCM.

**Note 24**

**List of controlled entities**

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

Name	Country of Incorporation	% equity interest	
		2019	2018
Malagasy Holdings (Bekisopa) Pty Limited	Australia	100	100
- Iron Ore Corporation of Malagasy sarl	Madagascar	75	75
Malagasy Holdings (Tratramarina) Pty Limited	Australia	100	100
- Universal Exploration Madagascar sarl	Madagascar	100	100

**Note 25**

**Commitments**

*Exploration and evaluation expenditure commitments*

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

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

The Company deferred the payment of the 2019/2020 administration fees for a number of tenements associated with the Ambodilafa and Tratramarina projects. The Bureau du Cadastre Miner de Madagascar advised tenement holders that it would not cancel any tenements that renewal fees became in arrears as a result of the failure of the government to grant, renew or transform tenements. The decision by the Company was consistent with other miners and explorers who have demanded the government address the shortcomings of previous administrations.

The Company has sighted BCMM approved renewals and transformation of its tenements. The documents are now awaiting ministerial seal which is expected during the course of 2020. On receipt of renewals the Company will pay the BCMM approximately A\$70,000 in administration fees plus penalties. The Company has accrued the 2019 administration fees outstanding as at 31 December 2019.

**Note 26**

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

*The Company*

*Ambodilafa tenements*

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

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

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

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

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

As at balance date, 31 December 2019 the Company had earned an 90% equity interest in the Ambodilafa tenements. The Company has advised Jubilee that it would elect to buy-out



the residual interest by way of a royalty; however, as at the date of this report the Company and Jubilee have not formalised this arrangement.

*Bekisopa tenements*

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

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

On 13 December 2019, the Company extinguished its obligation to Cline under the Share Sale and Purchase Agreement with the payment of A\$253,478. Further, on 25 July 2020 the Company agreed with Cline to acquire its remaining 25% equity interest in IOCM as well as convert its rights to fully paid ordinary shares under the Deeds of Variation at a price of 2.5 cents per fully paid ordinary shares.

*Universal Exploration Madagascar sarl*

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

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

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

**Note 27**

**Events after balance date**

On 30 January 2020, the World Health Organisation declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The operations of the Company could be negatively impacted by the regional and global outbreak of COVID-19 and may impact the Company's results and its ability to source funding for the next reporting year.

As at the date of this report, the full effect of the outbreak remains uncertain. The effects are likely to be significant but cannot be reliably estimated or quantified. The Group will monitor the ongoing developments and be proactive in mitigating the impact on its operations.

On 25 March 2020, shareholders approved the issue of 31, 830,000 fully paid ordinary shares to directors and management, including directors who have resigned and directors

removed from office. The shares were issued at 2 cents or a 15% premium to the previous share issue with shares to the three directors subject to a "lock-up" based on continuation of services for 2 years.

The Company and Cline Mining Corporation agreed a valuation for the Company to acquire its 25% equity interest in the Iron Ore Corporation of Madagascar sarl and conversion of its rights to fully paid ordinary shares under the Deeds of Variation. Cline agreed to a payment of US\$192,500 to be converted into Australian dollars on the completion date and the fully paid ordinary shares to be issued at 2.5 cents per fully paid ordinary shares.

The Company retained Bentleys, Dentons Australia, Harbury Capital Limited and Wardell Armstrong International plc as consultants to and lead the Company through the listing process on the Australian Securities Exchange.

**Note 28****Related party disclosures***Directors*

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

PG Bibby  
MA Burrridge (resigned 5 May 2019)  
SL Fabian  
JM Madden  
DL Wu (removed on 23 August 2019)

Mr MA Burrridge is Managing Partner for Baker Steel Capital Managers. One of the funds run by Baker Steel is the Baker Steel Resources Trust and during the course of the financial year ended 31 December 2018 the Group received a convertible note facility from Baker Steel Resources Trust of A\$200,000 with an accompanying borrowing fee of A\$40,000. At that time, Mr MA Burrridge did not participate in the Investment Committee or sit on the board of directors of Baker Steel Resources Trust.

The board of directors agreed on October 2016 that they would not seek any emoluments from the Company until such time as it raised a minimum of \$2.5 million and, if that figure was achieved, any amount agreed to be paid to directors would be subject to shareholder approval and settled by way of the issue of fully paid ordinary shares. On 25 March 2020, shareholders approved the issue of 31,830,000 fully paid ordinary shares at 2 cents per ordinary in accordance with the process agreed by the board of directors in 2016.



**Note 29**      **Cash flow statement reconciliation**

	31 December	
	2019	2018
	\$	\$
Net loss after tax	(914,053)	(334,222)
<i>Adjusted for:</i>		
Exchange fluctuation	56,459	85,704
Finance costs	20,000	-
Deferment of settlement terms for acquisition of Ore Corporation of Madagascar sarl costs	-	53,131
Proceeds from sale of tenements	-	(6,017)
Provisions	2,785	2,732
Share-based payments	40,878	-
<i>Changes in other current assets and current liabilities:</i>		
Current assets		
Receivables	(8,680)	(1,812)
Other	36	22,628
Current liabilities		
Payables	543,674	(71,993)
	<b>(258,901)</b>	<b>(249,849)</b>

**Note 30**      **Key management personnel**

*Details of key management personnel*

*Chief Financial Officer  
and parent entity Company Secretary*  
JM Madden  
*Non-executive directors*  
PG Bibby  
MA Burridge (resigned 5 May 2019)  
SL Fabian  
DL Wu (removed on 23 August 2019)

*Compensation of key management personnel*

Compensation paid to key management personnel is as follows:

	31 December	
	2019	2018
	\$	\$
Short-term employee benefits	715,351	-
Post-employment benefits	-	-
Other long-term benefits	-	-
	<b>715,351</b>	<b>-</b>

The board of directors agreed on October 2016 that they would not seek any emoluments from the Company until such time as it raised a minimum of \$2.5 million and, if that figure was achieved, any amount agreed to be paid to directors would be subject to shareholder approval and settled by way of the issue of fully paid ordinary shares. On 25 March 2020,

shareholders approved the issue of 31,830,000 fully paid ordinary shares at 2 cents per ordinary in accordance with the process agreed by the board of directors in 2016. The remuneration for 2019 included cash remuneration of \$78,750 and non-cash remuneration of \$636,601.

**Note 31**

**Parent entity**

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

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Current assets	<b>2,088,353</b>	79,093
Exploration and evaluation	<b>2,205,632</b>	2,115,311
Total assets	<b>4,293,985</b>	2,194,404
Current liabilities	<b>844,523</b>	873,557
Non-current liabilities	-	-
Total liabilities	<b>844,523</b>	873,557
Net assets	<b>3,449,462</b>	1,320,847
Issued and paid-up capital	<b>18,832,748</b>	15,971,191
Other contributed equity	<b>221,893</b>	-
Accumulated losses	<b>(15,605,179)</b>	(14,650,344)
Profit (loss) after tax for the parent entity	<b>(954,835)</b>	(419,521)
Total comprehensive profit (loss) for the parent entity	<b>(954,835)</b>	(419,521)

**Note 32**

**Auditor's remuneration**

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Amounts paid or due for payable to Bentleys		
Audit or review of the financial report	<b>20,000</b>	15,000
- amounts relating to previous year	-	-
Other services	-	-
	<b>20,000</b>	15,000

**Note 33**

**Contingent liabilities**

The Company has no contingent liabilities, other than that disclosed in Note 26.



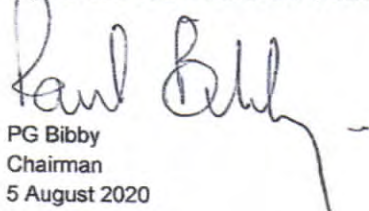
## DIRECTORS' DECLARATION

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

In the opinion of the board of directors:

- (a) financial statements, the accompanying notes to the financial statements and the additional disclosures set out in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2019 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

  
PG Bibby  
Chairman  
5 August 2020

## Independent Auditor's Report

### To the Members of Indian Pacific Resources Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Indian Pacific Resources Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

#### Basis for Opinion

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

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



# Independent Auditor's Report

To the Members of Indian Pacific Resources Limited (Continued)



## Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial report which indicates that the Consolidated Entity incurred a net loss of \$945,983 during the year ended 31 December 2019. As stated in Note 2(a), these events or conditions, along with other matters as set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Consolidated Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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

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

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

## Independent Auditor's Report

To the Members of Indian Pacific Resources Limited (Continued)



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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

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

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



## Independent Auditor's Report

To the Members of Indian Pacific Resources Limited (Continued)



From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A blue ink signature of the firm Bentleys, written in a cursive style.

**BENTLEYS**  
Chartered Accountants

A blue ink signature of Doug Bell, written in a cursive style.

**DOUG BELL CA**  
Partner

Dated at Perth this 5<sup>th</sup> day of August 2020