

**GEPACIFIC RESOURCES NL**

*ACN 003 208 393  
and Controlled Entities*

**ANNUAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2006**

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
*and Controlled Entities*

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## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

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# **GEOPACIFIC RESOURCES NL**

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## **CORPORATE DIRECTORY**

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**GEOPACIFIC RESOURCES NL** (a public, listed company incorporated in New South Wales in 1986)  
ACN 003 208 393

**Directors in Office**  
(as at the date of this Report)

R J Fountain, Chairman  
I J Pringle, Managing Director  
W A Brook, Executive Director  
I N A Simpson, Non-Executive Director  
R H Probert, Non-Executive Director  
C K McCabe (Alternate Director to Mr I N A Simpson)

**Registered Office** 556 Crown Street, Surry Hills, NSW 2010

**Postal Address** P.O. Box 477, Surry Hills, NSW 2010  
Phone: 61 2 9699 2311, Fax: 61 2 9699 7322 E-mail: [ianp@geopacific.com.au](mailto:ianp@geopacific.com.au)

**Company Secretary** Mr Grahame Clegg

**Auditor** Nexia Court & Co., Level 29, Australia Square,  
264 George Street, Sydney, NSW, 2000, Australia

**Bankers** Westpac Banking Corporation, 50 Pitt Street, Sydney, NSW

**GEOPACIFIC LIMITED** (a private company incorporated in Fiji in 1980)

**Directors** R H Probert (Chairman)  
W A Brook (Managing Director)  
I J Pringle  
I N A Simpson

**Fiji Operations Office** HLB House, Lot 3, Cruikshank Road, Nasoso, Nadi, Fiji  
Tel: 679 6 727150 Fax: 679 6 727152  
All mail to: P O Box 9975, Nadi Airport, Fiji  
E-mail: [gpl@connect.com.fj](mailto:gpl@connect.com.fj)

**Company Secretary** W A Brook, P. O. Box 9975, Nadi Airport, Fiji  
Tel: 679 6 727150 Fax: 679 6 727152 E-mail: [gpl@connect.com.fj](mailto:gpl@connect.com.fj)

**Registered Office** HLB House, Lot 3, Cruikshank Road, Nasoso, Nadi, Fiji

**Auditor** Ernst & Young, Suva, Fiji

**Banker** Westpac Banking Corporation, Main Street, Nadi, Fiji

**BETA LIMITED** (a private company incorporated in Fiji)

**Directors** W A Brook  
I J Pringle (Appointed 20 February 2006)  
I N A Simpson

**Company Secretary** W A Brook, P.O. Box 9975, Nadi Airport, Fiji  
Tel: 679 6 727150 Fax: 679 6 727152 E-mail: [gpl@connect.com.fj](mailto:gpl@connect.com.fj)

**Registered Office** HLB House, Lot 3, Cruikshank Road, Nasoso, Nadi, Fiji

**Auditor** Ernst & Young, Suva, Fiji

# GEOPACIFIC RESOURCES NL

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## CHAIRMAN'S LETTER

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Dear Shareholders

I am very pleased to report on an excellent year's progress made by Geopacific since listing on the ASX on 9 May 2006 (trading code GPR) after raising approximately \$2.4m to explore for gold and copper in Fiji. Your Managing Director, Dr Ian Pringle, has assembled a strong and experienced exploration team and implemented a vigorous exploration program focussed on early drill testing of gold and copper exploration targets defined by surface mapping and state of the art geophysical techniques.

Significant progress towards our goal of becoming a profitable producer was made on a number of fronts, outlined below, and the Company is well positioned for an exciting future.

In February, Geopacific signed a Heads of Agreement to acquire Millennium Mining (Fiji) Limited and its sole assets (SPL 1216 'Nabila' and SPL 1415 'Kavukavu') by the issue of shares and options in GPR. The key asset in Millennium is the Faddy's Gold Deposit and surrounding exploration ground with a number of prospects and anomalies. Faddy's is an epithermal-type gold deposit which contains near-surface mineralisation estimated as 920,000t @ 4.9g/t Au (144,000 ounces of contained gold) by Climax Mining Ltd in 1991 and although this is not considered to be of JORC reporting standard and is not an estimate of Mineral Resources as defined by the JORC Code it represents a substantial mineralised system. Faddy's has the potential to be fast tracked into a small high-grade mine which will provide Geopacific with both cash flow and operational experience in Fiji. This transaction is subject to technical due diligence, which is underway, and shareholder approval which is being sought at our Annual General Meeting.

At the Raki Raki Joint Venture (GPR 50% and manager), encouraging gold grades were intersected in seven diamond drill holes completed at significant new anomalies which were defined by a Gradient Array Resistivity geophysical survey within the Qalau-4300 area, confirming the potential of the area to host significant gold mineralisation of similar style to Emperor Gold Mines' +7 million ounce Vatukoula gold deposit. Follow up drilling will commence after completion of the rainy season in May.

At the Vuda Project (GPR 80%), new target areas have been defined by an airborne magnetic-radiometric survey completed over a 5.5km x 3.0km area covering the 'Vuda Caldera', and field follow-up has located gold-rich dyke outcrops. Drill testing beneath high-grade, near-surface gold mineralised dyke rock at the Natalau Prospect (Vuda Project) commenced in December and the first drill hole (DDHVN001) intersected anomalous gold and base metals.

At the Nadi South Project (GPR 100%) a three dimensional Induced Polarisation survey across the Togo Prospect was completed. This has defined a large anomaly typical of a porphyry Cu-Au deposit and priority drill testing of this feature commenced during January 2007.

In February the Company raised an additional \$1.82 million (before costs) through a placement of 3.37 million shares at \$0.54 to clients of Lands Kirwan Tong Stockbrokers Pty Limited.

I am also pleased to report the recent well publicised political events in Fiji have had no impact on Geopacific's operations in the country, and our highly experienced exploration team remains committed to locating and developing mineral deposits within the constraints of strict environmental controls and social responsibility.

# **GROPACIFIC RESOURCES NL**

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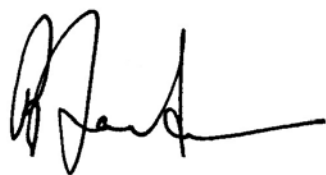
## **CHAIRMAN'S LETTER**

**(Continued)**

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I would like to thank our team for their hard work during 2006. Geopacific enters its second year of trading as a public company with a strong cash position, an enhanced portfolio of exciting exploration targets, and the potential to rapidly advance the Faddy's prospect into a defined Mineral Resource.

On behalf of the Board of Directors I would also like to thank shareholders for their support in what truly been a milestone year for the Company.

A handwritten signature in black ink, appearing to read 'Russell Fountain', with a long horizontal stroke extending to the right.

**Russell Fountain**  
Chairman

# GEOPACIFIC RESOURCES NL

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## REVIEW OF OPERATIONS

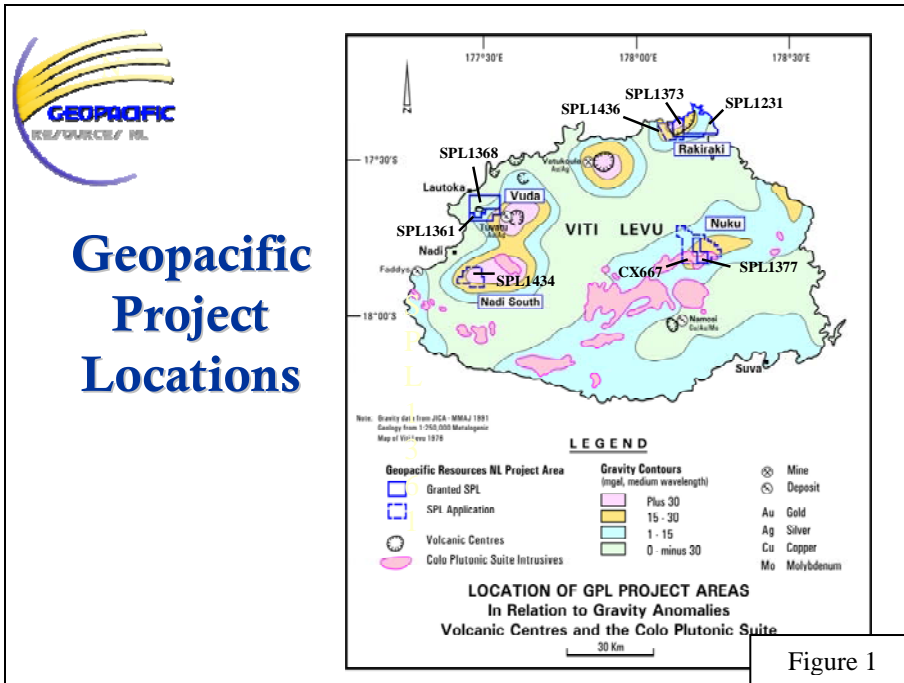
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### Highlights

- Significant new anomalies were defined by a Gradient Array Resistivity geophysical survey at the Qalau-4300 area of the Raki Raki Project. Many of these anomalies correspond with high gold-in-soil values and several were given high priority for drill testing.
- High grade gold was intersected in seven diamond drill holes completed within the Qalau-4300 area of the Raki Raki Project.
  - DDHQ001 intersected 2.8 meters from 61.20m of 14.43g/t gold within a zone of epithermal quartz-carbonate veining.
  - DDHQ003 intersected 7.0 meters from 29.0m of 2.23g/t Au within a zone of shearing and quartz-carbonate veining.
  - DDHQ004 intersected 45.2 meters from 88.0m of 1.02 g/t Au including 5.0m from 94.0m of 3.41 g/t Au and 9.5 meters from 121.0m of 2.31g/t Au.
  - Assays in DDHQ005-7 ranged up to 9.37g/t Au and confirmed the continuity of mineralisation in DDHQ001.
- An airborne magnetics-radiometric survey was completed over a 5.5km x 3.0km area covering the 'Vuda Caldera' at the Vuda Project and this has defined new target areas. Field follow-up located gold-rich dyke outcrops.
- Drill testing beneath high-grade, near-surface gold mineralised dyke rock at the Natalau Prospect (Vuda Project) commenced in December and the first drill hole (DDHVN001) intersected anomalous gold and base metals.
- A three dimensional Induced Polarisation survey across the Togo Prospect at the Nadi South Project was completed. This has defined a large anomaly typical of a porphyry Cu-Au deposit and priority drill testing of this feature commenced during January 2007.
- By way of placement the Company raised an additional \$1.82 million (before costs) through a placement of 3.37 million shares at \$0.54 to clients of Lands Kirwan Tong Stockbrokers Pty Limited.
- Geopacific has signed a Heads of Agreement to acquire Millennium Mining (Fiji) Limited and its sole assets (SPL 1216 'Nabila' and SPL 1415 'Kavukavu') which contain the Faddy's Gold Deposit and surrounding exploration ground with a number of prospects and anomalies. Faddy's is an epithermal-type gold deposit which contains near-surface mineralisation estimated as 920,000t @ 4.9g/t Au (144,000 ounces of contained gold) by Climax Mining Ltd in 1991 and although this is not considered to be of JORC reporting standard and is not an estimate of Mineral Resources as defined by the JORC Code it represents a substantial mineralised system.

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**REVIEW OF OPERATIONS**  
**(Continued)**

**Project Review**



**Raki Raki Project**      SPL1231, SPL1373, SPL1436

50% Beta Ltd (subsidiary of GPR) - Operator  
50% Peninsula Minerals Ltd

The Raki Raki Project (Figure 1) is located in northern Viti Levu and is a 50% joint venture between Peninsula Minerals Limited and Geopacific Resources NL. Geopacific is the manager of the joint venture.

Perth based GPX Services Pty Ltd completed an Induced Polarisation (IP) geophysical survey over the central portion of the B-R Grid (Qalau-4300) at the Raki Raki Project (Figure 2). Areas of high resistivity (red) are located within the Qalau-4300 area of the IP survey and some of these correspond with geochemical anomalies located during previous work. A zone of resistivity highs trends across a 1.5km strike length, grid east-west across the area and this is covered by a thin veneer of transported gravels. This zone is located immediately to the north of Geopacific Resources' drill hole RRC13 (0-6m of 1.99g/t Au, 46-72m of 1.28g/t Au) on line 4300E and drill hole QRC4, completed by CRA Exploration in 1992 on line 3600E (CRA Exploration reported 116-140m of 0.8g/t Au including 134-140m of 2.5g/t Au). Areas of high resistivity were also defined in the central west of the grid area and many of these also correspond with high gold in soils and in shallow trenches completed by both CRA Exploration and Geopacific Resources.

A 3D Offset Pole-Dipole Resistivity survey was also undertaken and this has provided a better understanding of the geometry and depth continuity of the main structural features in the survey area. Auger soil sampling was completed along 50-100m spaced grid lines over selected resistivity anomalies and in order to determine any association between geophysical resistivity anomalies and gold in soil values close-spaced auger soil samples were collected in the 'Million Dollar' area of the Qalau grid (between 3370-3420E and 5140-5190N, Figure 2). Channel rock chip sampling was completed at anomalous gold outcrops in Qalaumatai creek.

# GEPACIFIC RESOURCES NL

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## REVIEW OF OPERATIONS

(Continued)

A truck mounted UDR650 drill rig owned by Nadi based Exploration & Drilling Services (Fiji) Limited commenced work at selected anomalies in early July and seven drill holes were completed (DDHQ001 to DDHQ007) in the Qalau-4300 (B-R) grid area. Gold fire assays were undertaken on sawn half core (NQ3 and HQ3 size) at Emperor Mines Analytical laboratory. The targets have similar style and setting of mineralisation at the Vatukoula Mine about 30km to the south west where Emperor Mines Limited has past recorded production together with stated resources of over 7.5 million ounces of gold.

Table 1 lists anomalous assay results for the seven holes and drill collar locations are shown on Figure 2 with respect to the geophysical anomalies.

### DDHQ001

DDHQ001 the first diamond drill hole of the current exploration program was located near the centre of a prominent resistivity high which trends across the northern half of the surveyed area (Figure 2). DDHQ001 intersected 2.8 meters from 61.20 meters of 14.43g/t gold within a zone of epithermal quartz-carbonate veining (Figures 3 and 4).

Other mineralised zones in DDHQ001 include 1 metre drilled width of 1.27g/t Au from 39.00m down hole and a deeper zone of 14.7 meters drilled width averaging 0.46g/t Au between 111.30 – 126.00 meters. DDHQ001 was drilled towards grid south at a 60 degree dip from grid 5565N/3600E to a total depth of 150.9m within a zone of high resistivity values and within an area of the Qalau – 4300 grid which is covered by transported river gravels.

### DDHQ002

DDHQ002 was located to test corresponding gold anomalies (in both soil and shallow trench samples) and a resistivity high approximately 600 metres grid SSW of DDHQ001 (Figure 2). DDHQ002 was drilled at a 60 degree dip towards grid south. A single mineralised zone between 9-10 meters in DDHQ002 returned 1.24g/t Au.

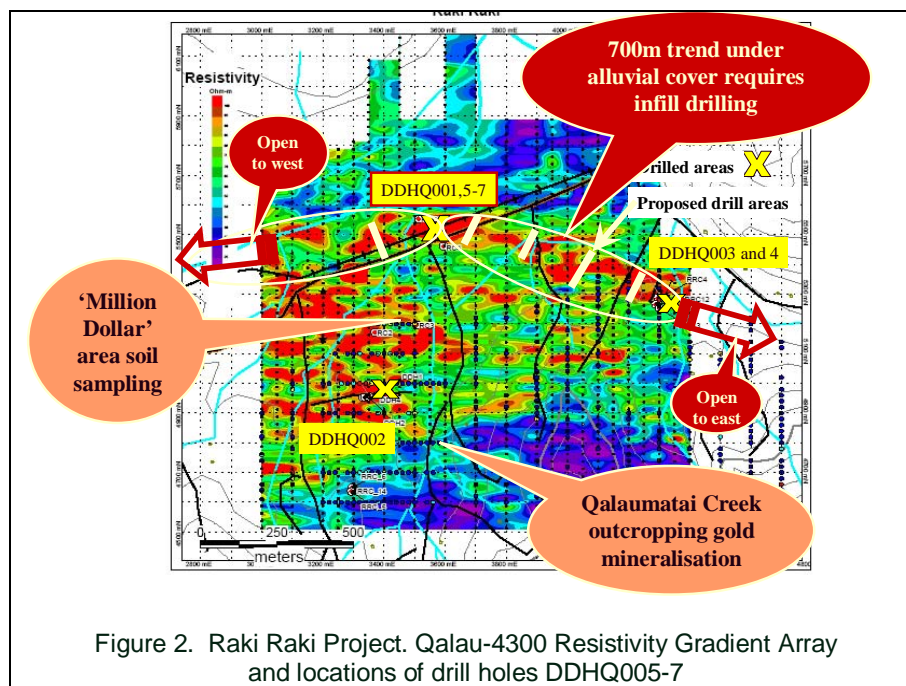


Figure 2. Raki Raki Project. Qalau-4300 Resistivity Gradient Array and locations of drill holes DDHQ005-7



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## REVIEW OF OPERATIONS

(Continued)

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### **DDHQ003 and DDHQ004**

DDHQ003 and DDHQ004 (collared approximately 50m from DDHQ003) were located to test the grid east end of the E-W trending geophysical anomaly approximately 750m grid east of DDHQ001 (Figure 2). Both drill holes intersected significant zones of gold mineralisation (Table 1). Both drill holes have intersected, and finished within, wide zones of carbonate-quartz veining, shearing, brecciation and alteration typical of an epithermal mineralised system.

- DDHQ003 intersected 7.0 meters from 29.0 meters (down-hole depth) of 2.23g/t Au, including 1m of 5.14g/t Au from 29m within a zone of shearing and quartz-carbonate veining.
- DDHQ004 intersected 45.2 meters from 88.0 meters (down-hole depth) of 1.02 g/t Au including 5.0 meters from 94.0 meters of 3.41 g/t Au and 9.5 meters from 121.0m of 2.31g/t Au (Figure 5).

### **DDHQ005, DDHQ006 and DDHQ007**

Gold mineralised intervals intersected in diamond drill holes DDHQ005, DDHQ006 and DDHQ007 confirm that the mineralisation previously reported in DDHQ001 continues at depth and along trend to the east (Table 1, Figure 3). All three drill holes penetrated quartz-carbonate veining and alteration showing that the main mineralised structure in the DDHQ001 area dips towards grid north at approximately 55 degrees (Figure 4).

DDHQ005 was completed at a location 15m grid south of DDHQ001 with a parallel drill direction and dip. It intersected quartz veining and silicification between 80-86m and also within several other narrow zones. DDHQ005 intersected 0.45 meters from 47.9 meters (down-hole depth) of 3.91g/t Au.

DDHQ006 was completed 25m grid north of DDHQ001 and was drilled at the same azimuth and dip. Sheared, laminated quartz veins with high sulphide content occur in DDHQ006 near 79.8-81.8m and 119.4-120.6m. DDHQ006 intersected 0.50 meters from 80.5 meters (down-hole depth) of 9.37g/t Au and several other mineralised intervals.

DDHQ007 is located 50m grid east of DDHQ006 and was drilled to test the strike direction of the mineralised veins of this area. DDHQ007 intersected quartz veining and shearing between 24.3-35m and 49.7-61m.

Drill holes DDHQ001 and DDHQ003-7 are located on a prominent resistivity anomaly which trends for over 1 kilometre across an area covered by transported river gravels and soil (Figure 2). Follow-up drilling of this resistivity anomaly within the 700 metres of untested area between DDHQ001 and DDHQ004 is planned during 2007.

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## REVIEW OF OPERATIONS

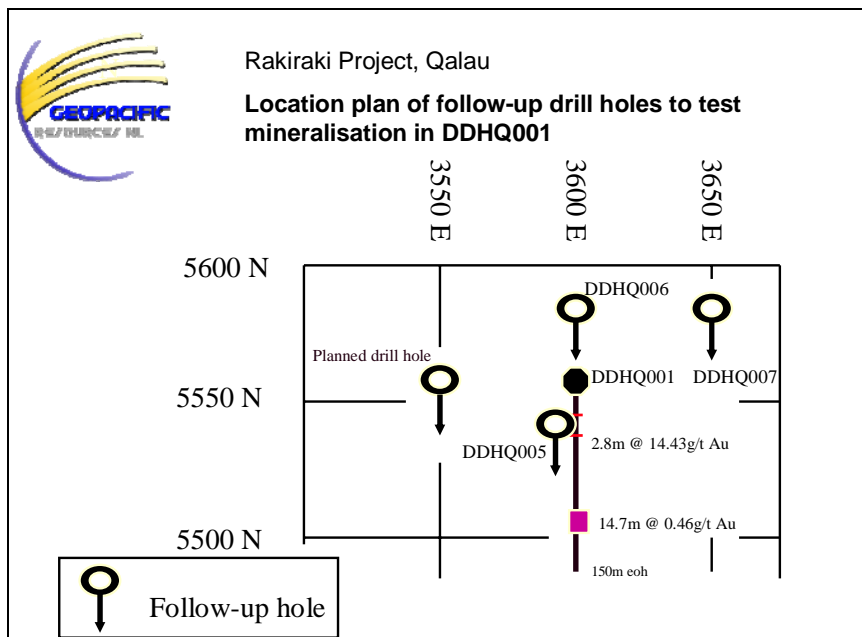
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**Table 1. Summary of Drill Core Assays DDHQ001-7, Raki Raki Project**

| Drill Hole | Drill hole summary                                       |           |                     |                |                | Drill core assay summary |        |                   |                |
|------------|--|-----------|---------------------|----------------|----------------|--------------------------|--------|-------------------|----------------|
|            | coordinates (local grid where grid N is 23° W of true N) |           | hole azimuth (grid) | hole dip (deg) | hole depth (m) | down-hole                |        | interval (meters) | gold (g/t)**** |
|            | N  | E         |                     |                |                | from (m)                 | to (m) |                   |                |
| DDHQ001    | 5565   | 3600      | 180                 | 60             | 150.9          | 39                       | 40     | 1                 | 1.27           |
|            |  |           |                     |                |                | 61.2                     | 64     | 2.8               | 14.43          |
|            |  |           |                     |                |                | 111.3                    | 126    | 14.7              | 0.46           |
| DDHQ002    | 5010   | 3350      | 180                 | 60             | 150.1          | 9                        | 10     | 1                 | 1.24           |
| DDHQ003    | 5370   | 4330      | 200                 | 60             | 180.1          | 29                       | 36     | 7                 | 2.23           |
|            |  | including |                     |                |                | 29                       | 30     | 1                 | 5.14           |
| DDHQ004    | 5335   | 4360      | 200                 | 60             | 293.8          | 88                       | 133.2  | 45.2              | 1.02           |
|            |  | incl.***  |                     |                |                | 94                       | 99     | 5                 | 3.41           |
|            |  | incl.***  |                     |                |                | 121                      | 130.5  | 9.5               | 2.31           |
|            |  | with      |                     |                |                | 121                      | 124    | 3                 | 4.45           |
| DDHQ005    | 5550   | 3600      | 180                 | 60             | 120.1          | 47.9                     | 48.35  | 0.45              | 3.91           |
|            |  |           |                     |                |                | 107.5                    | 108.5  | 1                 | 1.31           |
| DDHQ006    | 5585   | 3600      | 180                 | 60             | 180.1          | 25                       | 26     | 1                 | 2.52           |
|            |  |           |                     |                |                | 28                       | 28.5   | 0.5               | 0.96           |
|            |  |           |                     |                |                | 80                       | 80.5   | 0.5               | 1.51           |
|            |  |           |                     |                |                | 80.5                     | 81     | 0.5               | 9.37           |
|            |  |           |                     |                |                | 120.1                    | 120.6  | 0.5               | 3.18           |
| DDHQ007    | 5585   | 3650      | 180                 | 60             | 171            | 33.4                     | 36     | 2.6               | 1.32           |
|            |  |           |                     |                |                | 72.5                     | 73.7   | 1.2               | 0.98           |
|            |  |           |                     |                |                | 101.2                    | 102    | 0.8               | 0.71           |

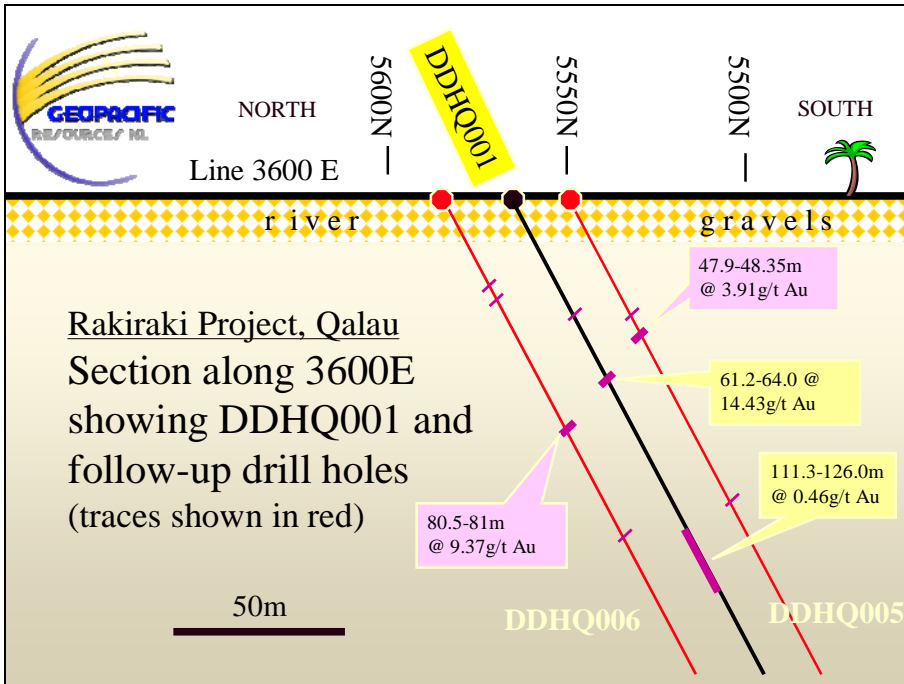
\*\*\* Using a 0.5g/t Au cut-off

\*\*\*\* Fire assays completed on sawn (halved) drill core at Emperor Mines Analytical Laboratory. All results >0.5g/t Au have been re-assayed. Internal and external controls including standard reference material and blanks have been routinely analysed.

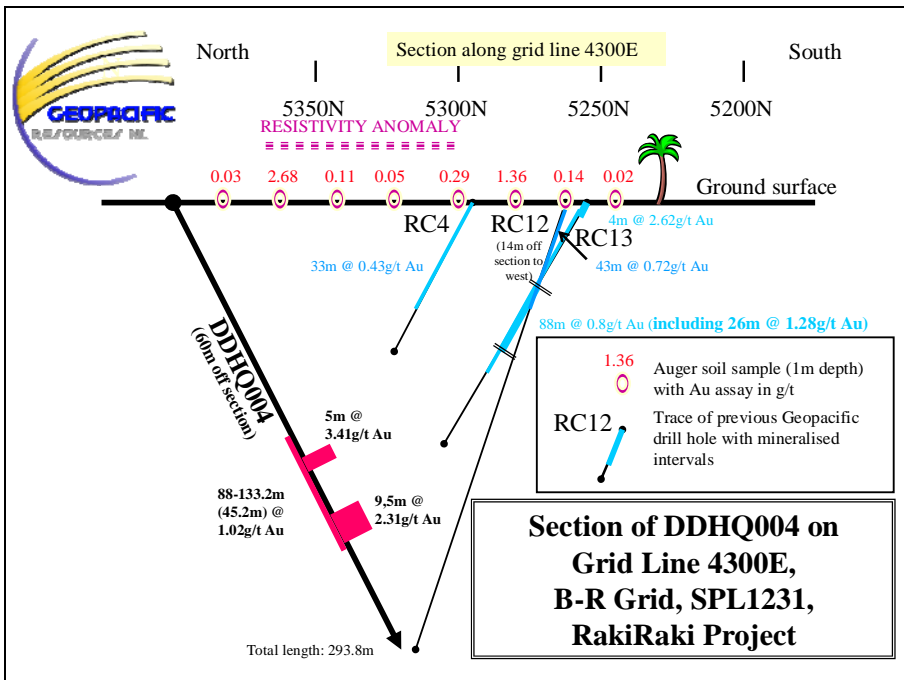


**Figure 3. Drill hole locations for DDHQ001 and DDHQ005-7, Raki Raki Project.**

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**REVIEW OF OPERATIONS**  
 (Continued)



**Figure 4. Cross section along 3600E showing drill traces of DDHQ001, DDHQ005 and DDHQ006, Raki Raki Project.**



**Figure 5. Cross section along 4300E with DDHQ004, Raki Raki Project.**

**Vuda Project**

SPL1368 Geopacific Ltd (subsidiary of GPR)  
 has an option to purchase 80%  
 SPL1361 Geopacific Ltd (subsidiary of GPR)  
 has an option to purchase 100%

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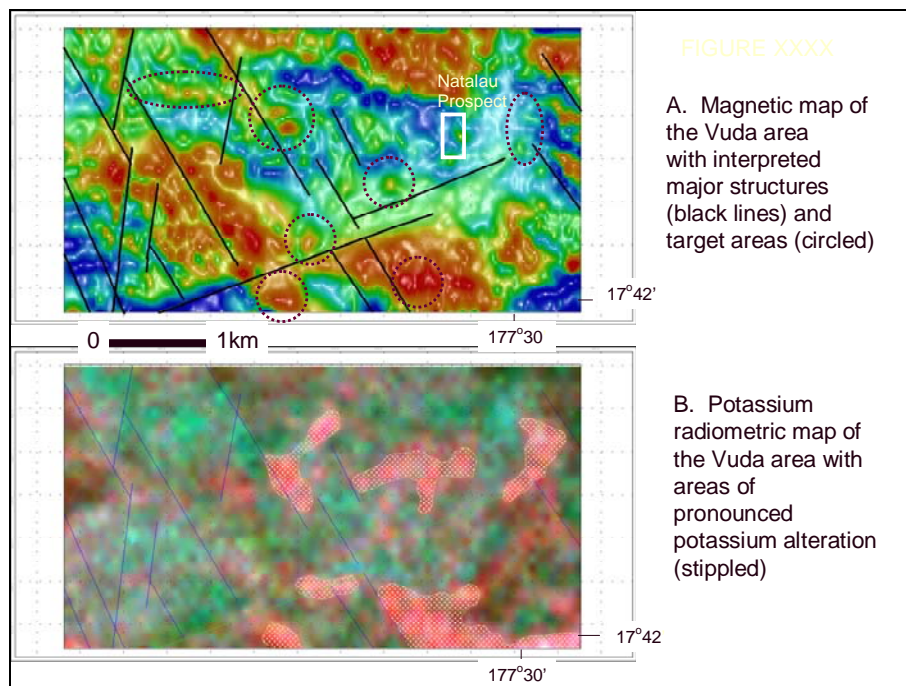
## REVIEW OF OPERATIONS

(Continued)

Fugro Airborne Surveys Pty Ltd undertook an airborne survey covering 5.5km x 3.0km over the 'Vuda Caldera' area of SPL1368. This area includes most of the known gold prospects in the Vuda Project and covers a 4km x 1km arcuate alteration zone which has widespread anomalous gold values. The survey was flown at 100m line spacings and in addition to magnetic readings, radiometric (K, U, and Th) and digital elevation data were collected.

The data is being used to interpret structure and alteration of gold mineralised zones within the shonshonitic volcanics of the Vuda Caldera feature. Summary maps of the magnetic and radiometric features of the surveyed area are shown in Figure 6. In general, the magnetic low 'areas' (blue-green) of the survey correspond with areas of prominent alteration and weathering. Small magnetic 'highs' may indicate volcanic dykes and plugs which appear to host gold mineralisation at several of the Vuda prospects.

A rock chip samples collected from outcrops several hundred metres SW of Natalau (Ista's Prospect) and located near a small magnetic 'high' contains high gold (up to 8.0g/t Au). These samples show high temperature epithermal alteration dominated by adularia together with gold mineralisation (visible by microscope) and could represent a latite/trachyte dyke and an exploration target similar to Natalau.



**Figure 6. Magnetic and Radiometric Maps, Vuda Project.**

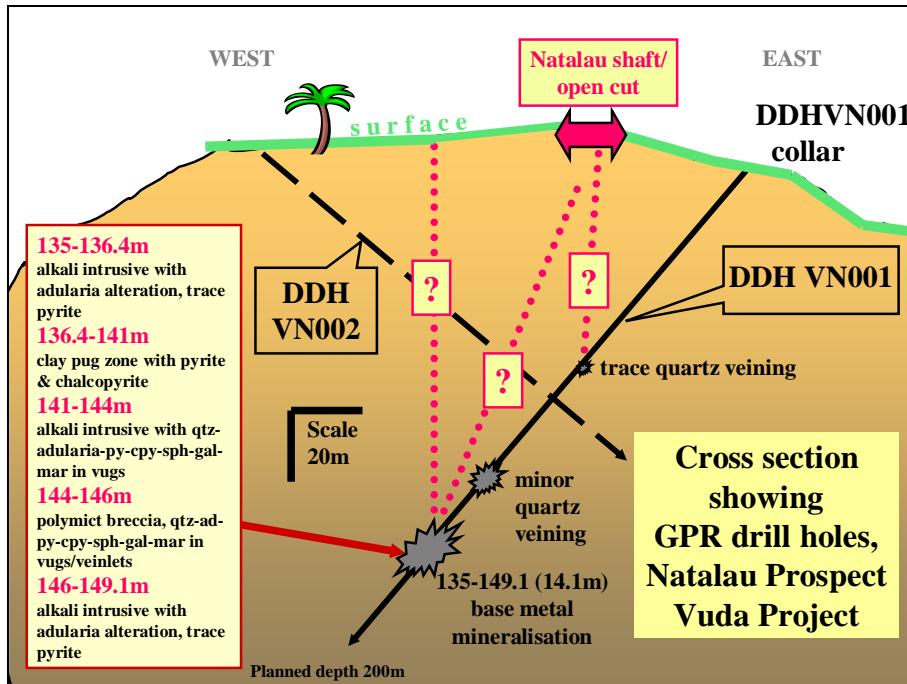
A drill rig mobilised from Suva completed drill testing of the first of three preliminary drill holes at the **Natalau Prospect** (DDHVN001) where prospecting and drilling by other companies has intersected near-surface, high grade gold within a steeply dipping dyke. The diamond core drilling is testing the depth continuity of dyke-hosted gold mineralisation beneath shallow workings where previous explorers have reported drill core intersections ranging to 9.2g/t Au over 23.7m (DDH4). Radial Drilling is undertaking the work using a skid mounted drill-rig.

DDHVN001 intersected several zones of alteration/quartz veining and base metal mineralisation approximately 50-100m beneath old near-surface mine workings (Figure 7). The best developed mineralisation intersected in DDHVN001 occurs within an alkali intrusive rock (banakite) between 135m-149.1m where disseminated base metal mineralisation includes minor copper (chalcopyrite), zinc (sphalerite) and lead (galena). Samples from this zone have been forwarded to Australia for assay.

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Preliminary gold fire assays of the interval 135-147m were completed at Emperor Mine’s analytical facility prior to its closure and these contain anomalous gold values up to 0.8ppm Au.

A second drill hole (DDHVN002) was located to intersect the mineralisation approximately 50m above VN001 (Figure 7) and a third drill hole (DDHVN003) was drilled to test the southerly plunge of mineralisation 50m to the south. Drilling of VN002 and VN003 commenced during early 2007.



**Figure 7. East–west cross section showing drill holes VN001 and VN002, Vuda Project.**

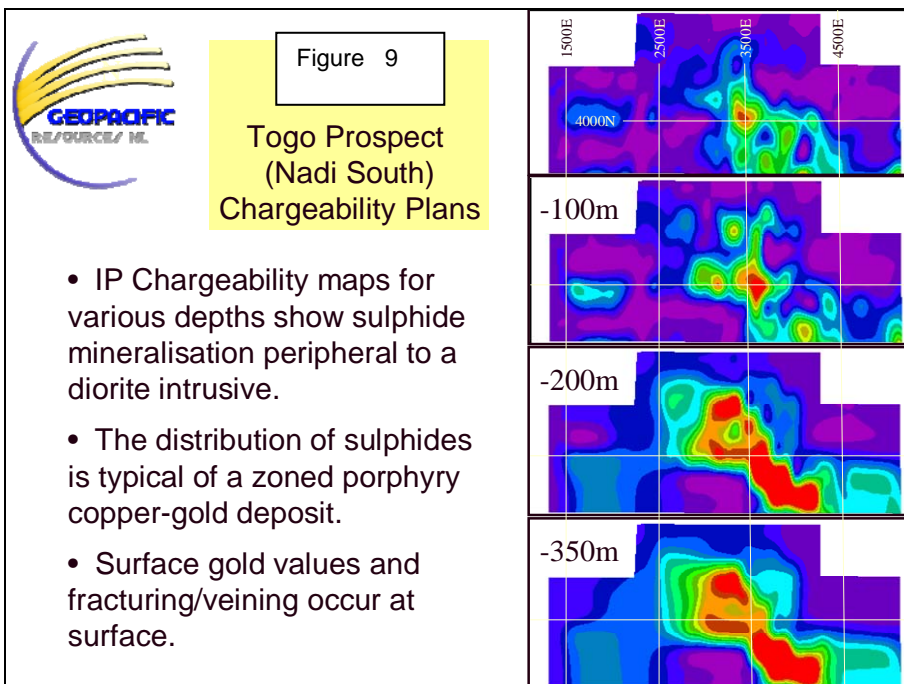
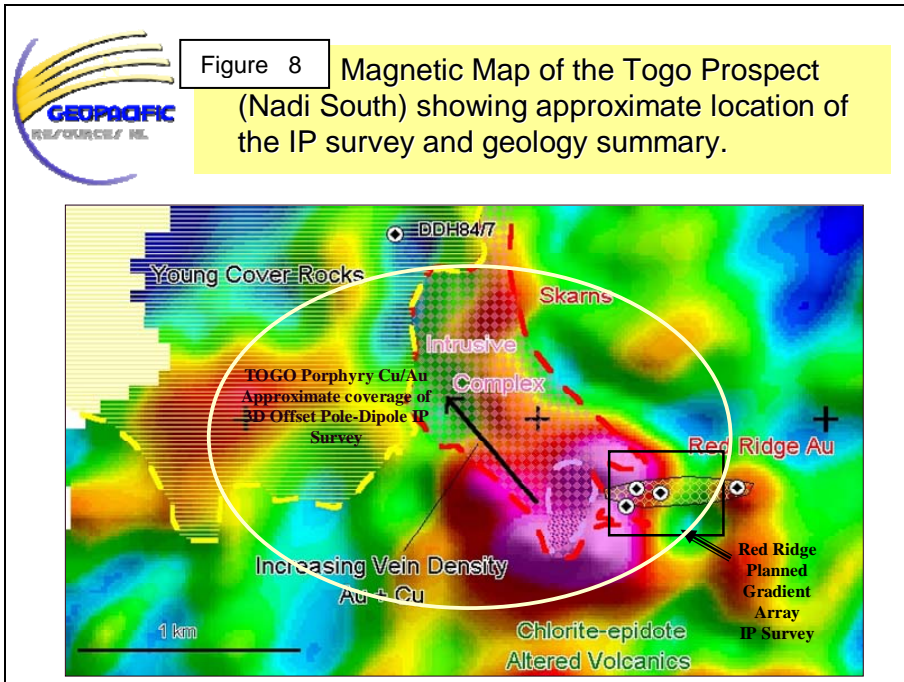
**Nadi South Project**      SPL1434 – 100% Geopacific Ltd (subsidiary of GPR)

At **Nadi South** (Figures 1 and 8) a three dimensional Induced Polarisation (IP) survey using an offset pole-dipole (OPD) configuration was completed by GPX Services Ltd (Perth).

Together with 3D inversion of existing detailed aeromagnetic data of the area, the IP results have helped to map the sub-surface mineralisation in the Togo porphyry system and have been used to identify the optimal locations of drill holes to test the Togo Prospect. The Togo Prospect is located 10km south of Nadi, within a sparsely populated area of low hills and close to major infrastructure.

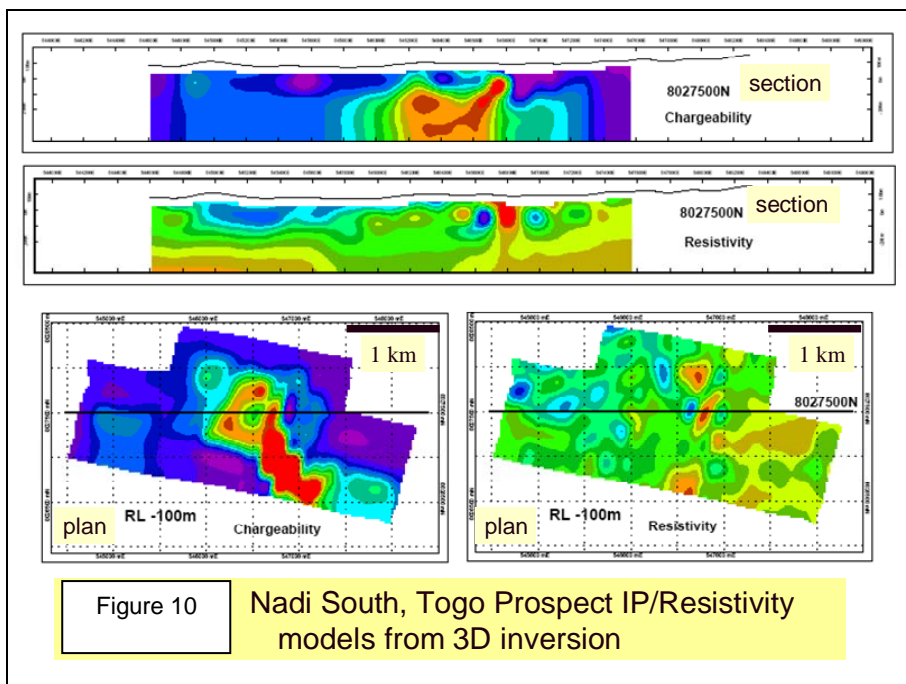
The geophysical work has defined a large chargeability anomaly which extends from near surface to over 400m depth and across a strike length of more than 2 kilometres (Figure 9). The shallow northern portion of the anomaly is zoned with a lower chargeability central zone of several hundred metres diameter. The high chargeability zone (red/orange areas of the chargeability plans and section in Figures 9 and 10), reflects higher sulphide content, increases in size and intensity to the south and is best developed between 100-300 meters depth. The anomaly is located along the eastern and southern margin of a dioritic intrusive complex (Figure 8) which is poorly exposed in the area overlying the anomaly but which is highly fractured and jointed in outcrops along the eastern edge of the feature. Anomalous gold is common within in these limonitic fractures.

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Meetings with landowners and occupiers to discuss GPR's work plans at Nadi South and to arrange access agreements for the area prior to grid establishment at Togo have been completed.

The Togo anomaly is typical of a large porphyry copper-gold style of mineralisation where a large low-grade gold-copper deposit may have a size range of several hundred million tonnes. This style of deposit is similar to the Namosi porphyry copper project (owned by Nittetsu Mining Co Ltd) which is located 70km east of Togo (Figure 1) and contains a 'Measured Geological Resource' of 930Mt of 0.43% Cu and 0.14g/t Au.

Drill testing of the Togo Prospect commenced in mid January 2007 with a truck mounted UDR650 drill rig owned by Nadi based Exploration & Drilling Services (Fiji). An initial four drillhole programme (350 - 400 metre deep drill holes) to test various parts of the Togo Prospect is planned.

**Nuku Project** SPL1368 - 100% Geopacific Ltd (subsidiary of GPR)  
CX667 - 100% Geopacific Ltd (subsidiary of GPR)

Mapping and sampling during reconnaissance work in SPL1368 during early 2006 located significant areas of quartz vein stock-work and alteration patterns with characteristics typical of porphyry copper deposits as well as extensive areas of magnetite skarn and gossan float boulders within an 11 square kilometre zone. Following the wet season in mid-2007 grid preparation at the Wailoaloa Skarn Prospect is planned prior to an IP survey and drill testing.

**Nabila Project** SPL1216 - 100% Millennium Mining Fiji Ltd (purchase agreement by GPR)  
SPL1415 - 100% Millennium Mining Fiji Ltd (purchase agreement by GPR)

On 27 February 2007, Geopacific Resources NL completed a Heads of Agreement to purchase Millennium Mining Fiji Ltd 'Millennium' which has title to the Nabila Gold Project, two Special Prospecting Licences (SPL 1216 and SPL 1415) located 16 kilometres southwest of Nadi, Fiji (Figure 11).

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**REVIEW OF OPERATIONS**  
**(Continued)**

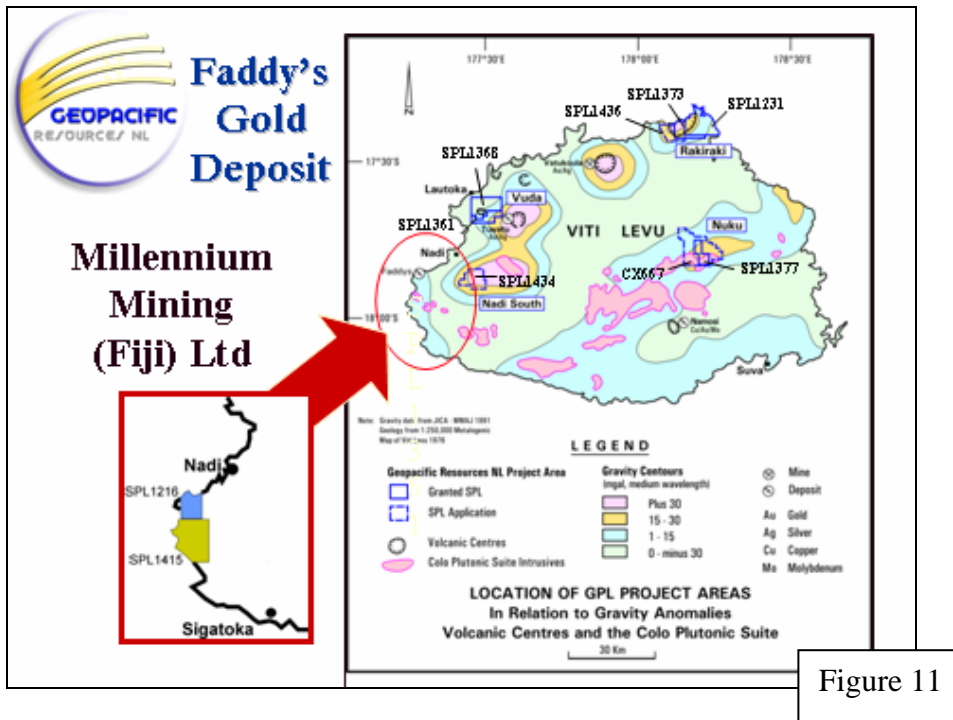


Figure 11

The Nabila Gold Project contains the Faddy’s epithermal-type gold deposit (Figure 12), where near-surface mineralisation has been estimated as 920,000t @ 4.9g/t Au (144,000 ounces of contained gold) by Climax Mining Ltd in 1991 (this is not considered to be of JORC reporting standard and is not an estimate of Mineral Resources as defined by the JORC Code). There is potential to substantiate this estimate and to discover additional mineralisation through exploration in the immediate area. The Faddy’s mineralisation appears to be open along trend (north-south) and at depth (dips towards the west) and previous drill sampling has not taken into account the occurrence of nuggetty gold which in parts of the deposit may significantly add to gold grades.



Fig 12. View of the Faddy’s Gold Deposit (circled). Nadi is located in the headwaters of the bay to the far right.



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**REVIEW OF OPERATIONS**  
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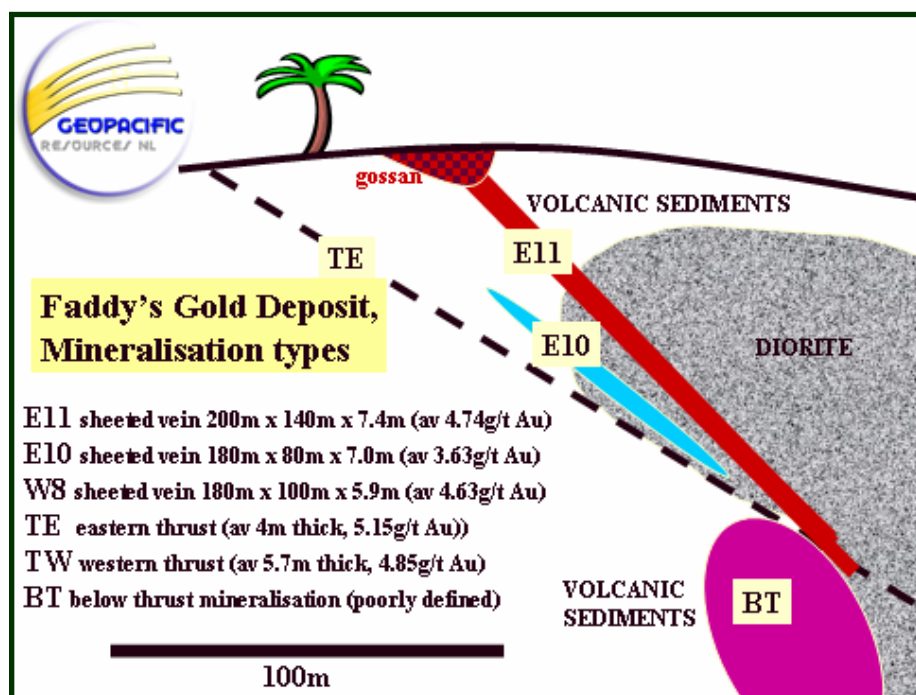
Figure 13 is a summary of the main types of mineralisation at the Faddy's Deposit that occur within and peripheral to a dioritic intrusive body which has been offset by a low angle reverse fault. Sheeted veins overlying the fault can be interpreted as arcuate to undulating veins which have developed in a brittle medium at the margin of the diorite. The sheeted veins are thickest in the diorite and thin over about 100 metres or so into the volcanic sediments. The veins are in the hanging wall above the fault plane in the diorite close to the point where the thrust causes the diorite to 'overhang' volcanic sediments. In the northern part of Faddy's Deposit two parallel veins (E11 and E10) occur above the fault and are separated by about 15m of barren diorite. In the south of the deposit only one vein (W8) has been defined.

The E11 vein is 7.4 metres (average) thick, has a minimum length of 200 metres and extends down dip about 140 metres. The outcrop expression of the E11 sheeted vein in the northern part of the deposit has had limited drill testing and trench sampling has been minimal.

The E10 vein has a length of 180 metres, extends down dip about 80 metres and has an average thickness of 7.0 metres. E10 does not appear to reach the current erosion surface.

The W8 vein in the grid west area may be a continuation of E11. It is also contained in the hanging wall of the thrust and has a shallow west dip. W8 has a length of about 180 metres, extends down dip about 100 metres and has an average thickness of 5.9 metres.

A low angle thrust (TW/TE) separates the sheeted veins from underlying disseminated mineralisation (BT). Mineralisation along the thrust zone has an average thickness of 5.7m and has been shown to extend down dip at least 150m. There is potential to extend this mineralisation up dip.



**Figure 13. Mineralisation Model of Faddy's Deposit. Schematic cross section looking south.**

Exploration expenditure by Millennium and previous owners (Climax Mining Ltd, Hallcroft Pty Ltd) since 1985 has exceeded A\$4.0 million. This work has included; mapping, sampling, trenching geophysical surveys, preliminary metallurgical test work and drilling (172 drill holes for 17,897 metres).

Geopacific has recognised the following potential to define more mineralisation at the Faddy's deposit through further drill testing:

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## REVIEW OF OPERATIONS

(Continued)

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Near surface: 0-75m (down dip) of the mineralised thrust zone has been poorly drill tested and requires shallow drilling and trenching.

Along trend: Gold mineralisation is not closed off along strike. Anomalous soil gold values occur within a 1.8km zone south of the Faddy's deposit towards the old Mistry gold workings.

At depth: Mineralisation in the thrust zone was intersected in a recent deep drill hole (MDD019) which intersected 0.25m of 20.2g/t Au from 211m and 3m of 4.5g/t Au from 282m. Very few drill holes have tested deeper than 110m.

The following factors also could enhance project economics:

1. Poor recoveries in most previous drilling due to soft clay in shear zones and the broken/brecciated nature of sheeted veins which may have underestimated gold grade.
2. Limited consideration has been given to the occurrence of coarse nuggetty gold in previous work. Repeated assays of high grade intersections indicate that gold grades may have been underestimated
3. Silver, zinc, lead and copper are associated with gold (high grades of zinc up 20.2%, lead up to 8.45% and copper up to 2.57% occur with some gold mineralised drill intersections). The Au:Ag ratio is about 1:5.
4. Preliminary metallurgical testing by Climax recovered 97% of Au in 24 hours with low reagent consumptions and low grinding time.
5. The Faddy's Gold Deposit is well located close to the coast. It has good road access and is not far from port facilities and other infrastructure.

Potential for other new discoveries occur in the near vicinity of Faddy's and elsewhere within the tenements. Recently the FSM vein, an east-west trending quartz vein system (2.2km outcrop along strike) was located by Millennium about 2km south of Faddy's and four holes drilled late last year have shown that this brecciated quartz vein structure contains anomalous gold and base metal values. New structural interpretations between the FSM vein and the Faddy's Deposit indicate new targets for offset extensions of the Faddy's mineralised structures. Other targets in the tenements include skarn-gold and porphyry-copper-gold prospects.

Preliminary metallurgical results are encouraging and environmental factors are relatively favourable. Relations with the Fijian Government, the Department of Mines and local landowners are good.

The Faddy's deposit is near a point where a feasibility study can be undertaken. Some further drilling is required to test for nuggetty gold, continuity of high grade and extensions to mineralisation down dip and along trend and this can be followed by studies including; additional resource in-fill and step-out drilling, trenching, metallurgical processing, mine design, environmental and socio economic studies. Expenditure of \$900,000 is planned during the next 12 months to progress these studies with a view to develop a plus 25,000oz/annum gold project based on an open cut/shallow underground operation.

Millennium Mining has agreed in principle for Geopacific to acquire Millennium Mining (Fiji) Limited (registered in Fiji) ('Millennium') and its sole assets (Special Prospecting Licences (SPL 1216 'Nabila' and SPL 1415 'Kavukavu') which contain the Faddy's Deposit and surrounding exploration ground with a number of prospects and anomalies). The consideration, conditional on a positive due diligence and Geopacific shareholder approval, is:

1. Geopacific to issue to Millennium owners 4 million GPR shares.
2. Geopacific to issue to Millennium owners 4 million options at 50c convertible within 5 years and contingent on defining a JORC compliant Ore Reserve of over 200,000 ounces of contained gold.

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## REVIEW OF OPERATIONS

(Continued)

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3. Geopacific to issue to Millennium owners 1 million options at \$1.00 convertible within 10 years and contingent on defining a JORC compliant Ore Reserve of over 1,000,000 ounces of contained gold.

### **IPO and ASX Listing**

A Prospectus for the initial public offer (IPO) of 22,500,000 ordinary shares at an offer price of \$0.20 each was completed (dated 31 October 2005). Closing of the offer was extended through the issue of supplementary prospectus dated 31 January 2006 which was lodged with ASIC on 31 January 2006 to provide details of any events that occurred subsequent to the release of the Prospectus, and which the Directors believed were or may have been material to existing shareholders, persons who lodged Application Forms, and other potential investors. Both the Prospectus and Supplementary Prospectus were mailed to Shareholders and both can be viewed on the company's website at [www.geopacific.com.au](http://www.geopacific.com.au).

Closing of the offer was on 3 April 2006. The IPO raised \$2.4m to fund exploration for gold and base metals at the Company's four projects (Raki Raki, Vuda, Nadi South and Nuku) on Viti Levu, the main island of Fiji. Geopacific Resources NL listed, and commenced trading on the Australian Stock Exchange (trading code 'GPR') on 9 May 2006.

### **Share Placement**

The Company completed a Short Form Prospectus (dated and lodged with ASIC on 22 December 2006) which offered to clients and investors nominated by Lands Kirwan Tong Stockbrokers Pty Limited, Placement Shares at \$0.54 each. A total of \$1.82M (before costs) was raised through the placement of 3.37m shares. The funds raised from the issue of these shares will be used for an expanded program of drilling and additional IP geophysics in response to the exciting gold and copper targets that have been generated by work to date at Raki Raki, Nadi South and Vuda, and also to vigorously pursue acquisition of an advanced exploration property with early development potential.

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## DIRECTORS' REPORT

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The Directors present their report together with the financial report of Geopacific Resources N.L. ("GPR") ("the company") and of the Group, being the company and its controlled entities, Geopacific Limited ("GPL") and Beta Limited ("Beta"), for the year ended 31 December 2006, together with the auditors' report thereon.

### 1 Directors

The Directors of the company at any time during, or since the end of the financial year of 31 December 2006 are:

**Russell John Fountain, B.Sc., Ph.D, F.A.I.G., Chairman.**

Dr Fountain was appointed a Director and chairman of the company on 23 September, 2005. He is a Sydney-based consulting geologist with 39 years of international experience in all aspects of mineral exploration, project feasibility and mine development. Previous positions include President, Phelps Dodge Exploration Corporation; Exploration Manager, Nord Pacific Ltd and Chief Geologist, CSR Minerals. Russell has had global responsibility for corporate exploration programs with portfolios targeting copper, gold, nickel and mineral sands. He played a key role in the grassroots discovery of mines at Granny Smith (Au in WA), Osborne (Cu-Au in Qld) and Lerokis (Au-Cu in Indonesia) and the development of known prospects into mines at Girilambone (Cu in NSW) and Waihi (Au in NZ). Russell was awarded a PhD in Geology from the University of Sydney in 1973, with a thesis based on his work at the Panguna Mine (Cu-Au in PNG) and he worked as a project geologist on the Namosi porphyry copper deposit in Fiji from 1972 to 1976. He is a Fellow of the Australian Institute of Geoscientists, and Executive Chairman of Finders Resources Ltd.

**Ian James Pringle, B.Sc. (Hons.), Ph.D, Managing Director.**

Dr. Pringle was appointed Managing Director of the company on 23 September, 2005. He is a Sydney-based exploration geologist with over 21 years of specialist expertise in exploration for silver, gold, and copper within Australia and SE Asia. Ian gained a doctorate from the University of Otago in Dunedin, New Zealand in 1981 where he studied petrology, mineralogy and geochemistry of metamorphosed volcanic rocks and taught laboratory classes in economic geology. During his career, Ian has worked in mineral exploration programmes that have resulted in successful mineral discoveries;

- in Northern Australia with Elf Aquitaine,
- the Lerokis Au-Cu-Ag deposit, Indonesia with CSR Minerals,
- the Girilambone copper deposit, NSW with Nord Resources, and
- in Australia, the Philippines and Cyprus as Exploration Manager for Golden Shamrock Mines and Oxiana Ltd.

Ian coordinated due diligence studies on Sepon for Oxiana and supervised resource drilling of the main gold and copper deposits. Sepon is located in a recently discovered province of sediment-hosted epithermal gold deposits and supergene enriched copper mineralisation in central Laos. Ian's recent and current work includes exploration and resource evaluation of the Bowdens Silver Deposit, near Mudgee, NSW, an epithermal-style mineralised system which contains over 80 million ounces of silver and which is owned by Silver Standard Resources Inc, one of the few publicly traded companies focused exclusively on the discovery and acquisition of silver-dominant projects. Ian is a director of Silver Standard Australia Pty. Ltd.

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## DIRECTORS' REPORT (Continued)

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### 1 Directors (continued)

#### **Willie Anthony Brook, B.Sc., M.A.I.G., Executive Director**

Mr Brook has served two terms as Managing Director of the company since 1987 and resigned this position in September 2005 in favour of Dr Pringle. Bill is a geologist with over 41 years experience in the industry, including senior positions with Australian and international exploration and mining companies.

He spent six years as a contract field geologist (1980-86) exploring for epithermal gold deposits in Papua New Guinea, Vanuatu and Fiji, which resulted in the discovery of several grassroots gold prospects. In 1986 he commenced geological work on behalf of GPL in Fiji and discovered the Tuvatu Gold Deposits, which were sold to Emperor Mines Ltd in 1997. He is also a member of the Mining Council of Fiji, the Fiji Mining and Quarrying Wages Council and the Mining and Development Technical Committee; the latter two posts being Government appointments. He resides in Fiji and is responsible for maintaining and monitoring the company's operations in Fiji and developing new projects. He is Managing Director of Geopacific Ltd and a Director of Beta Ltd.

#### **Ian Neville Aston Simpson, Non - Executive Director**

Mr Simpson was appointed a Director of the company in March 2001. He is the Managing Director of Pacific Crown Aviation (Fiji) Ltd, which operates a helicopter service based out of Nadi Airport in Fiji. Mr Simpson received his training as a helicopter pilot and engineer in the Royal Navy, and as such has been involved with the exploration industry in Fiji since 1970. He has been associated with GPL since 1981 and a Director since 1994; he is also a Director of Beta Ltd. Mr Simpson is a citizen of Fiji.

#### **Craig Kingsley McCabe, B.Ec., F.A.I.B.F., A.I.M.M. Alternate Director to Mr Simpson.**

Craig has over 17 years experience in financial markets, having worked for banks and merchant banks in Australia, where he dealt in interest rates, securities and equities. In the past 12 years he has been engaged in managing his family business with interests in Australia and Fiji.

#### **Roger Harvie Probert, Non - Executive Director**

Mr Probert was elected chairman of GPL in 1997. In 1970-71 he served for one year as a field manager for Barringer Research in a mineral exploration programme in Fiji. In 1972 he joined The Fiji Gas Co. Ltd., and was appointed general manager and chief executive in 1983. He is also general manager and a Director of the associated companies, Fiji Chemicals Ltd and Tonga Gas Ltd. He served as a board member of the Civil Aviation Authority of Fiji, Capital Markets Development Authority, Fiji Islands Revenue and Customs Authority and chairman of Airports Fiji Ltd. He is also chairman of the Mining Council of Fiji and was president of the Fiji Institute of Management (1989-91) and the Fiji Employees Federation (1993-95). Mr Probert is a citizen of Fiji.

### 2 Principal Activity

The principal activity of the Group is exploration for gold and gold-copper deposits in Fiji.

There was no significant change in the nature of this activity of the Group during the financial year.

### 3 Review and Results of Operations

The loss of the Group for the year ended 31 December 2006 was \$382,944 (2005: loss \$135,273). Information on the operation and financial position of the Group and its business strategies and prospects are set out in the review of operations.

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## DIRECTORS' REPORT (Continued)

### 4 Dividends

The Directors do not recommend the payment of a dividend.

Dividends paid or declared since the end of the previous year were \$Nil.

### 5 State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review, not otherwise disclosed in this report.

### 6 Matters subsequent to the end of the financial year

Except for the acquisition of Millenium Mining (Fiji) Limited, including its assets, no matter or circumstance has arisen since 31 December 2006 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

### 7 Directors' Interests and Benefits

The beneficial interest of each Director in the ordinary share capital of the company as at the date of this report is:

|                             | Direct shares | Indirect shares | Options   |
|-----------------------------|---------------|-----------------|-----------|
| R J Fountain <sup>(1)</sup> | 10,000        | 30,000          | Nil       |
| I J Pringle                 | 10,000        | 50,000          | 1,500,000 |
| W A Brook                   | 3,022,033     | 1,569,050       | Nil       |
| I N A Simpson               | 692,695       | Nil             | Nil       |
| R H Probert                 | 589,454       | Nil             | Nil       |
| C K McCabe (Alternate)      | Nil           | 595,238         | Nil       |

<sup>(1)</sup> Russell Fountain is a director of Finders Resources Ltd which holds 5,900,000 shares.

### 8 Directors' Meetings

During the year ended 31 December 2006 a total of two Directors' Meetings were held. Directors' attendance record is tabulated below.

Record of Directors' Attendance at Meetings

| Director                        | Service  | Attended * | Eligible to Attend | Leave of Absence |
|---------------------------------|----------|------------|--------------------|------------------|
| R J Fountain                    | All year | 2          | 2                  | -                |
| I J Pringle                     | All year | 2          | 2                  | -                |
| W A Brook                       | All year | 1          | 2                  | -                |
| I N A Simpson                   | All year | 1          | 2                  | -                |
| R H Probert                     | All year | -          | 2                  | -                |
| C K McCabe (alt. to I. Simpson) | All year | 1          | 1                  | -                |

\* Either in person, or by electronic means.

### 9 Likely developments and expected results of operations

The Group will continue to develop its existing exploration tenements and seek to increase its tenement holdings by acquiring further projects.

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## DIRECTORS' REPORT (Continued)

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### 10 Environment Regulations

Entities in the Group are subject to normal environmental regulations in areas of operations. There has been no breach of these regulations during the financial year, or in the period subsequent to the end of the financial year and up to the date of this report.

### 11 Share Options

Options have been issued to Ian J Pringle & Associates Pty Ltd, a company controlled by Dr Pringle, were granted on the following terms and conditions:

- (a) The Optionholder is entitled on payment of the Exercise Price (being 20c, 25c and 30c in respect of the three instalments each of 500,000 options respectively listed in paragraph (b) below) to be allotted one ordinary share in the company for each Option exercised (subject to possible adjustments referred to below).
- (b) The Options held by the Optionholder are exercisable in whole or in part as follows:
  - as to 500,000 Options, within 5 years of the first anniversary of Listing;
  - as to 500,000 Options, within 5 years of the second anniversary of Listing; and
  - as to 500,000 Options, within 5 years of the third anniversary of Listing (“Exercise Period”).

Options not exercised before the expiry of the Exercise Period will lapse. The Optionholder is not entitled to exercise the Options unless Dr Pringle continues to hold the position of Director of the company until at least the first anniversary (and in the case of the remaining instalments each of 500,000 options, the second and third anniversaries respectively) of the date of listing the company on the ASX.

### 12 Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

#### A Principles used to determine the nature and amount of remuneration

The objective of the Group’s executive reward framework is to ensure reward for performance, being the development of the Geopacific Resources exploration tenements. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

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## DIRECTORS' REPORT (Continued)

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### 12 Remuneration report (continued)

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to programme participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

#### *Non-executive directors*

Fees and payments to non-executive directors reflect the demands, which are made on, and the responsibilities of, the directors. The Board reviews Non-executive directors' fees and payments annually. The Board may from time to time seek the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

#### *Directors' fees*

The current base remuneration was last reviewed with effect from 1 January 2006 and will be reviewed in September 2007.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$200,000 per year in aggregate.

#### *Executive pay*

The executive pay and reward framework has four components:

- base pay and benefits;
- short-term performance incentives;
- long-term incentives through participation in the Geopacific Resources NL Employee Option Plan (Geopacific Resources Option Plan); and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.



# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

### 12 Remuneration report (continued)

#### *Base pay*

Structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any senior executives' contracts.

#### *Geopacific Resources NL Employee Option Plan*

Information on the Geopacific Resources Option Plan is set out in note 26.

### **B Details of remuneration**

#### Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Geopacific Resources and the Geopacific Resources NL Group are set out in the following tables.

The key management personnel of Geopacific Resources and the Group includes the directors:

#### ***Remuneration paid to key management personnel of Geopacific Resources and of the Group***

| 2006                                     | Short-term benefits |                 |                            | Post-employment | Share-based   | Total          |
|--|---------------------|-----------------|----------------------------|-----------------|---------------|----------------|
|  | IPO Success Fees    | Directors' Fees | Salary and Consulting Fees | benefits        | payment       |                |
| Name                                     | \$                  | \$              | \$                         | \$              | \$            | \$             |
| <i>Non-executive directors</i>           |                     |                 |                            |                 |               |                |
| I N A Simpson                            | -                   | -               | -                          | -               | -             | -              |
| R J Fountain                             | -                   | -               | -                          | -               | -             | -              |
| R H Probert                              | -                   | -               | -                          | -               | -             | -              |
| <b>Sub-total non-executive directors</b> | <b>-</b>            | <b>-</b>        | <b>-</b>                   | <b>-</b>        | <b>-</b>      | <b>-</b>       |
| <i>Executive directors</i>               |                     |                 |                            |                 |               |                |
| I J Pringle                              | 20,000              | -               | 108,826                    | -               | 47,318        | 176,144        |
| W A Brook                                | 20,000              | -               | 125,977                    | -               | -             | 145,977        |
| <b>Totals</b>                            | <b>40,000</b>       | <b>-</b>        | <b>234,803</b>             | <b>-</b>        | <b>47,318</b> | <b>322,121</b> |

# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

### 12 Remuneration report (continued)

#### *Remuneration paid to key management personnel of the Group*

| 2005                                     | Short-term employee benefits |                       |                       | Post-employment benefits | Share-based payment |               |
|--|------------------------------|-----------------------|-----------------------|--------------------------|---------------------|---------------|
| Name                                     | Cash salary and fees<br>\$   | Directors' Fees<br>\$ | Consulting Fees<br>\$ | Superannuation<br>\$     | Options<br>\$       | Total<br>\$   |
| <i>Non-executive directors</i>           |                              |                       |                       |                          |                     |               |
| I N A Simpson                            | -                            | -                     | -                     | -                        | -                   | -             |
| R J Fountain                             | -                            | -                     | -                     | -                        | -                   | -             |
| R H Probert                              | -                            | -                     | -                     | -                        | -                   | -             |
| <b>Sub-total non-executive directors</b> | <b>-</b>                     | <b>-</b>              | <b>-</b>              | <b>-</b>                 | <b>-</b>            | <b>-</b>      |
| <i>Executive directors</i>               |                              |                       |                       |                          |                     |               |
| I J Pringle                              | -                            | -                     | 25,050                | -                        | -                   | 25,050        |
| W A Brook                                | 46,540                       | -                     | -                     | 7,540                    | -                   | 54,080        |
| <b>Totals</b>                            | <b>46,540</b>                | <b>-</b>              | <b>25,050</b>         | <b>7,540</b>             | <b>-</b>            | <b>79,130</b> |

### C Service agreements (audited)

#### (i) Mr Ian Pringle - Managing Director

A Consultancy Agreement dated 16 February 2006 has been entered into between the company and Ian J Pringle & Associates Pty Ltd ("Consultant"), being a company controlled by Dr Pringle. The consulting services are to be provided by the Consultant making available the services of Dr Pringle for between 150 and 185 days per annum (or as otherwise agreed). The Agreement commenced on 1 March 2005 for an initial term of two years, with an option for the Company to extend the term for two further periods of two years each, unless the consultancy is terminated earlier in accordance with the agreement. The Consultant may terminate the agreement on not less than 4 months notice. The Consultant may also terminate the agreement immediately without notice if the company becomes insolvent or requires the Consultant to perform services outside the scope of the agreement for a period of more than 100 days in any year or if the company fails to pay moneys due under the Agreement within 14 days of demand and the company shall pay to the Consultant the termination payment referred to below. The company may terminate the agreement immediately without notice for serious or persistent breach, bankruptcy, fraud or wilful neglect, total and permanent incapacitation or mental illness of the Consultant or Dr Pringle (as the case may be), and may terminate the agreement at any time on 1 months notice without disclosure of any reason, by payment of a lump sum termination payment equivalent to the amount which the Consultant would have received for providing the services for one half of the Term then remaining or 6 months, whichever is the greater. The consultancy fee is \$400 per day (prior to Listing) and \$800 per day (post Listing), plus bonuses and expenses and subject to annual review by the company. Dr Pringle will receive fees for services rendered to the company in his capacity as a contractor to Ian J Pringle & Associates Pty Ltd.

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## DIRECTORS' REPORT (Continued)

### 12 Remuneration report (continued)

#### (ii) Mr Willie Brook - Executive Director

Mr Willie Brook entered into an employment agreement as Executive Director with the company effective from the date of Listing, for an initial term of two years, with an option for the company to extend the term for a further year, unless the employment is terminated earlier in accordance with the agreement.

Mr Brook may terminate the agreement on 3 months notice. The company may terminate the agreement immediately without notice for serious breach, bankruptcy, fraud or wilful neglect, total and permanent incapacitation or mental illness of Mr Brook, and may terminate the agreement at any time on 6 months notice without disclosure of any reason, or at its discretion, by payment of the equivalent amount of remuneration in lieu of the notice period. The salary package is Fiji\$100,000 per annum, including superannuation plus bonuses and expenses, subject to annual review by the company. He is also entitled to the usual leave entitlements.

#### (iii) Non-executive directors

Directors are entitled to remuneration out of the funds of the company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the company in general meeting for that purpose. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

#### *Service agreements summary*

|             | Start Date   | Term of Agreement  | Fees payable 2006 \$ | Notice period for termination (months) |          | Redundancy payment |
|-------------|--------------|--|----------------------|--|----------|--------------------|
|             |              |  |                      | Company                                | Employee |                    |
| I J Pringle | 1 March 2005 | 2 years with options to extend for 2 further terms of 2 years each | \$800 per day        | 1                                      | 4        | 6 months fees      |
| W A Brook   | 3 May 2006   | 2 years with option to extend for further terms of 1 year          | \$100,000            | 6                                      | 3        | 6 months salary    |

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

## DIRECTORS' REPORT (Continued)

### 12 Remuneration report (continued)

#### D Share-based compensation (audited)

##### Options

Options are granted on the recommendation of the directors.

Options are granted for no consideration. Options are granted for a five year period, and are exercisable immediately after the vesting date. The options issued to Mr Ian Pringle vest on the first, second and third anniversaries of the listing date. The options issued on 1 December 2006 vested on that date.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

| Grant date      | Expiry date     | Exercise price | Value per option at grant date | Date vesting    |
|-----------------|-----------------|----------------|--------------------------------|-----------------|
| 8 May 2006      | 8 May 2012      | \$0.20         | \$0.0843                       | 8 May 2007      |
| 8 May 2006      | 8 May 2013      | \$0.25         | \$0.0757                       | 8 May 2008      |
| 8 May 2006      | 8 May 2014      | \$0.30         | \$0.0708                       | 8 May 2009      |
| 1 December 2006 | 1 November 2009 | \$0.50         | \$0.4945                       | 1 December 2006 |
| 1 December 2006 | 1 November 2009 | \$0.70         | \$0.4498                       | 1 December 2006 |

Options granted carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

Details of options over ordinary shares in the company provided as remuneration to each director of Geopacific Resources and each of the key management personnel of the Group are set out below. Further information on the options is set out in notes 18 and 26 to the financial statements.

| Name                                     | Number of options granted during the year |      | Number of options vested during the year |      |
|--|---|------|--|------|
|  | 2006                                      | 2005 | 2006                                     | 2005 |
| <i>Directors of Geopacific Resources</i> |   |      |  |      |
| I J Pringle                              | 1,500,000                                 | -    | -  | -    |
| W A Brook                                | -   | -    | -  | -    |
| I N A Simpson                            | -   | -    | -  | -    |
| R J Fountain                             | -   | -    | -  | -    |
| R H Probert                              | -   | -    | -  | -    |

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

### 12 Remuneration report (continued)

The model inputs for options granted during the year ended 31 December 2006 included:

|     |   | 2006      | 2006      | 2006      | 2006      | 2006      | 2005 |
|-----|---|-----------|-----------|-----------|-----------|-----------|------|
| (a) | options are granted for no consideration          |           |           |           |           |           |      |
| (b) | exercise price                                    | \$0.20    | \$0.25    | \$0.30    | \$0.50    | \$0.70    | -    |
| (c) | grant date  | 8.05.2006 | 8.05.2006 | 8.05.2006 | 1.12.2006 | 1.12.2006 | -    |
| (d) | vesting date                                      | 8.05.2007 | 8.05.2008 | 8.05.2009 | 1.12.2006 | 1.12.2006 | -    |
| (d) | expiry date                                       | 8.05.2012 | 8.05.2013 | 8.05.2014 | 1.11.2009 | 1.11.2009 | -    |
| (e) | share price at grant date                         | \$0.20    | \$0.20    | \$0.20    | \$0.71    | \$0.71    | -    |
| (f) | expected price volatility of the company's shares | 30.0%     | 30.0%     | 30.0%     | 97.3%     | 97.3%     | -    |
| (g) | expected dividend yield                           | 0.0%      | 0.0%      | 0.0%      | 0.0%      | 0.0%      | -    |
| (h) | risk-free interest rate                           | 6.0%      | 6.0%      | 6.0%      | 6.25%     | 6.25%     | -    |

Shares provided on exercise of remuneration options

No ordinary shares in the company were provided as a result of the exercise of remuneration options to each director of Geopacific Resources NL and other key management personnel of the Group.

#### Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of Geopacific Resources NL granted during or since the end of the financial year to the directors and the most highly remunerated officers of the company as part of their remuneration were as follows:

| Name  | A<br>Remuneration<br>consisting of<br>options | B<br>Value at grant<br>date<br>\$ | C<br>Value at<br>exercise date<br>\$ | D<br>Value at lapse<br>date<br>\$ | E<br>Total of<br>columns B-D<br>\$ |
|---|---|-----------------------------------|--------------------------------------|-----------------------------------|------------------------------------|
| <i>Directors of Geopacific Resources NL</i> |   |                                   |                                      |                                   |                                    |
| I J Pringle                                 | 26.86%  | \$47,318                          | -                                    | -                                 | \$47,318                           |
| W A Brook                                   | -   | -                                 | -                                    | -                                 | -                                  |
| I N A Simpson                               | -   | -                                 | -                                    | -                                 | -                                  |
| R J Fountain                                | -   | -                                 | -                                    | -                                 | -                                  |
| R H Probert                                 | -   | -                                 | -                                    | -                                 | -                                  |

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
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## DIRECTORS' REPORT (Continued)

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### 12 Remuneration report (continued)

#### Shares issued on the exercise of options

No ordinary shares of Geopacific Resources NL were issued during the year ended 31 December 2006 on the exercise of options granted. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

### 13 Insurance of officers

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

### 14 Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amounts paid or payable to the auditor (Nexia Court & Co) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the company, its related practices and non-related audit firms:

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2006          | 2005          |
|   | \$            | \$            |
| <i>Assurance services</i>   |               |               |
| 1. <i>Audit services</i>  |               |               |
| Nexia Court & Co Australian firm:   |               |               |
| Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> | 22,723        | 12,412        |
| <b>Total remuneration for audit services</b>  | <b>22,723</b> | <b>12,412</b> |

# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

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### 14 Non-audit services (continued)

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2006          | 2005          |
|   | \$            | \$            |
| 2. <i>Other assurance services</i>                                      |               |               |
| Ernst & Young Fijian firm:  |               |               |
| Audit and review of financial reports                                   | 16,183        | 4,045         |
| <i>Total remuneration for other assurance services</i>                  | <u>16,183</u> | <u>4,045</u>  |
| <i>Total remuneration for assurance services</i>                        | <u>38,906</u> | <u>16,457</u> |
| <i>Taxation services</i>  |               |               |
| Nexia Court & Co Australian firm:                                       |               |               |
| Tax compliance services, including review of company income tax returns | -             | 23,460        |
| <i>Total remuneration for taxation services</i>                         | <u>-</u>      | <u>23,460</u> |

### 15 Lead Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 30 and forms part of the director's report for the year ended 31 December 2006.

### 16 Auditor

Nexia Court & Co continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors:



**Dr R J Fountain**  
Chairman



**Dr I J Pringle**  
Managing Director

Sydney, Australia  
30 March 2007

**LEAD AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the directors of Geopacific Resources NL:

I declare that, to the best of my knowledge and belief, in relation to the audit of the financial year ended 31 December 2006 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



**Nexia Court & Co**  
*Chartered Accountants*

**Stephen Rogers**  
*Partner*

**Sydney**  
*30 March 2007*



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
GEOPACIFIC RESOURCES NL**

**Scope**

*The Financial Report and Directors' Responsibility*

The financial report comprises the income balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements (notes 1 to 30), and the directors' declaration, (set out on pages 33 to 58) for both Geopacific Resources NL (the "company") and Geopacific Resources NL and its subsidiaries (the "Group") for the year ended 31 December 2006. The Group comprises the company and the entities it controlled at year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Audit Approach**

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the Group's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- a** examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- b** assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
GEOPACIFIC RESOURCES NL  
(Continued)**

**Audit Opinion**

In our opinion, the financial report of Geopacific Resources NL is in accordance with:

- a** the Corporations Act 2001, including
  - i** giving a true and fair view of the company's and Group's financial position as at 31 December 2006, and of their performance for the year ended on that date; and
  - ii** complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b** other mandatory financial reporting requirements in Australia.



**Nexia Court & Co**  
*Chartered Accountants*

**Stephen Rogers**  
*Partner*

**Sydney, Australia**  
*30 March 2007*

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

## DIRECTORS' DECLARATION

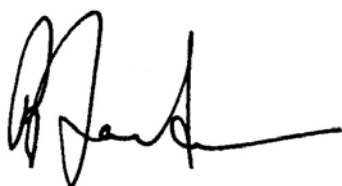
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In the opinion of the directors of Geopacific Resources NL:

- a** the financial statements and notes set out on pages 34 to 58, are in accordance with the Corporations Act 2001, including:
  - i** giving a true and fair view of the financial position of the company and the Group as at 31 December 2006 and of their performance, as represented by the results of their operations, and their cash flows for the financial year ended on that date; and
  - ii** complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b** the remuneration disclosures set out in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001; 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.

The directors have been given the declarations by the Managing Director and Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001 for the financial year ended on 31 December 2006.

**Signed in accordance with a resolution of the directors:**



**Dr R J Fountain**  
*Chairman*



**Dr I J Pringle**  
*Managing Director*

**Sydney, Australia**  
*30 March 2007*

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

## INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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|   | Note | Consolidated     |           | The Company      |           |
|---|------|------------------|-----------|------------------|-----------|
|   |      | 2006             | 2005      | 2006             | 2005      |
|   |      | \$               | \$        | \$               | \$        |
| Revenues from continuing operations               | 4    | <u>72,280</u>    | 19,092    | <u>72,280</u>    | 15,157    |
| Depreciation expense                              | 5    | -                | (504)     | -                | -         |
| Borrowing costs                                   | 5    | -                | (462)     | -                | -         |
| Options expense                                   | 5    | (236,178)        | -         | (236,178)        | -         |
| Unrealised foreign currency exchange loss         | 5    | -                | -         | (105,002)        | -         |
| Provision for diminution of loans to subsidiaries | 5    | -                | -         | (27,738)         | -         |
| Administration expenses                           |      | <u>(219,046)</u> | (153,399) | <u>(219,046)</u> | (136,653) |
| <b>Loss before income tax expense</b>             |      | <b>(382,944)</b> | (135,273) | <b>(515,684)</b> | (121,496) |
| Income tax expense                                | 7    | <u>-</u>         | -         | <u>-</u>         | -         |
| <b>LOSS FOR THE YEAR</b>                          |      | <b>(382,944)</b> | (135,273) | <b>(515,684)</b> | (121,496) |
| Basic loss per share (cents per share)            | 29   | <u>(1.28)</u>    | (0.78)    |                  |           |
| Diluted loss per share (cents per share)          | 29   | <u>(1.27)</u>    | (0.78)    |                  |           |

**The above income statements should be read  
in conjunction with the accompanying notes.**

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

## BALANCE SHEETS AS AT 31 DECEMBER 2006

|                                  | Note | Consolidated       |             | The Company        |             |
|----------------------------------|------|--------------------|-------------|--------------------|-------------|
|                                  |      | 2006               | 2005        | 2006               | 2005        |
|                                  |      | \$                 | \$          | \$                 | \$          |
| <b>CURRENT ASSETS</b>            |      |                    |             |                    |             |
| Cash and cash equivalents        | 8    | <b>1,256,968</b>   | 76,483      | <b>1,262,869</b>   | 59,347      |
| Trade and other receivables      | 9    | <b>167,307</b>     | 38,360      | <b>7,738</b>       | 11,549      |
| Other assets                     | 10   | <b>17,662</b>      | -           | <b>17,662</b>      | -           |
| <b>TOTAL CURRENT ASSETS</b>      |      | <b>1,441,937</b>   | 114,843     | <b>1,288,269</b>   | 70,896      |
| <b>NON-CURRENT ASSETS</b>        |      |                    |             |                    |             |
| Receivables                      | 11   | -                  | -           | <b>1,465,082</b>   | 791,042     |
| Exploration expenditure          | 12   | <b>1,796,829</b>   | 866,032     | <b>169,735</b>     | -           |
| Property, plant and equipment    | 13   | <b>8,385</b>       | 3,585       | -                  | -           |
| Investments                      | 14   | -                  | -           | -                  | -           |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <b>1,805,214</b>   | 869,617     | <b>1,634,817</b>   | 791,042     |
| <b>TOTAL ASSETS</b>              |      | <b>3,247,151</b>   | 984,460     | <b>2,923,086</b>   | 861,938     |
| <b>CURRENT LIABILITIES</b>       |      |                    |             |                    |             |
| Trade and other payables         | 15   | <b>260,863</b>     | 167,333     | <b>46,605</b>      | 38,138      |
| Loans and borrowings             | 16   | -                  | 280,000     | -                  | 280,000     |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <b>260,863</b>     | 447,333     | <b>46,605</b>      | 318,138     |
| <b>TOTAL LIABILITIES</b>         |      | <b>260,863</b>     | 447,333     | <b>46,605</b>      | 318,138     |
| <b>NET ASSETS</b>                |      | <b>2,986,288</b>   | 537,127     | <b>2,876,481</b>   | 543,800     |
| <b>EQUITY</b>                    |      |                    |             |                    |             |
| Contributed equity               | 17   | <b>6,311,996</b>   | 3,699,809   | <b>6,311,996</b>   | 3,699,809   |
| Reserves                         | 19   | <b>223,041</b>     | 3,123       | <b>239,301</b>     | 3,123       |
| Accumulated losses               | 20   | <b>(3,548,749)</b> | (3,165,805) | <b>(3,674,816)</b> | (3,159,132) |
| <b>TOTAL EQUITY</b>              |      | <b>2,986,288</b>   | 537,127     | <b>2,876,481</b>   | 543,800     |

The above balance sheets should be read  
in conjunction with the accompanying notes.

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

|  | Consolidated     |                  | The Company      |                  |         |
|--|------------------|------------------|------------------|------------------|---------|
|  | 2006             | 2005             | 2006             | 2005             |         |
| Notes  | \$               | \$               | \$               | \$               |         |
| <b>Total equity at the beginning of the financial year</b>           | <b>537,127</b>   | 616,709          | <b>543,800</b>   | 609,605          |         |
| <b>Net income recognised directly in equity</b>                      | <b>-</b>         | -                | <b>-</b>         | -                |         |
| <b>Loss for the year</b>   | <b>(382,944)</b> | (135,273)        | <b>(515,684)</b> | (121,496)        |         |
| <b>Total recognised income and expense for the year</b>              | <b>(382,944)</b> | (135,273)        | <b>(515,684)</b> | (121,596)        |         |
| Transactions with equity holders in their capacity as equity holders |                  |                  |                  |                  |         |
| Contributions of equity, net of transaction costs                    | 17               | 2,612,187        | 55,691           | 2,612,187        | 55,691  |
| Employee share options recognised in share based payments reserve    | 19               | 236,178          | -                | 236,178          | -       |
| Additions to foreign currency translation reserve                    | 19               | (16,260)         | -                | -                | -       |
|  |                  | <b>2,832,105</b> | 55,691           | <b>2,848,365</b> | 55,691  |
| <b>Total equity at the end of the financial year</b>                 |                  | <b>2,986,288</b> | 537,127          | <b>2,876,481</b> | 543,800 |

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

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

## CASH FLOW STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

|   | Note  | Consolidated     |                  | The Company      |                  |
|---|-------|------------------|------------------|------------------|------------------|
|   |       | 2006             | 2005             | 2006             | 2005             |
|   |       | \$               | \$               | \$               | \$               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |       |                  |                  |                  |                  |
| Cash receipts in the course of operations                         |       | -                | 437              | -                | -                |
| Cash payments in the course of operations                         |       | (286,557)        | (141,422)        | (267,312)        | (122,551)        |
| Interest received   |       | 72,280           | 108              | 72,280           | -                |
| Interest paid   |       | -                | (462)            | -                | -                |
| <b>Net Cash Used in Operating Activities</b>                      | 30(c) | <b>(214,277)</b> | <b>(141,339)</b> | <b>(195,032)</b> | <b>(122,551)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |       |                  |                  |                  |                  |
| Payments for plant and equipment                                  |       | (6,128)          | (717)            | -                | -                |
| Proceeds from sale of plant and equipment                         |       | -                | 2,738            | -                | -                |
| (Repayment of) advance from director                              |       | (500)            | 500              | (500)            | 500              |
| Loans advanced to related parties                                 |       | -                | -                | (701,778)        | (102,543)        |
| Exploration expenditure   |       | (869,177)        | (86,154)         | (169,735)        | -                |
| <b>Net Cash Used in Investing Activities</b>                      |       | <b>(875,805)</b> | <b>(83,633)</b>  | <b>(872,013)</b> | <b>(102,043)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |       |                  |                  |                  |                  |
| Proceeds from convertible notes issue                             |       | -                | 225,000          | -                | 225,000          |
| Proceeds from share issue   |       | 2,719,844        | 250,000          | 2,719,844        | 250,000          |
| Share Issue Costs   |       | (449,277)        | (194,309)        | (449,277)        | (194,309)        |
| <b>Net Cash Provided by Financing Activities</b>                  |       | <b>2,270,567</b> | <b>280,691</b>   | <b>2,270,567</b> | <b>280,691</b>   |
| <b>NET INCREASE IN CASH HELD</b>                                  |       | <b>1,180,485</b> | <b>55,719</b>    | <b>1,203,522</b> | <b>56,097</b>    |
| Cash and Cash Equivalents at the Beginning of the Financial Year  |       | <b>76,483</b>    | 20,764           | <b>59,347</b>    | 3,250            |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b> | 30(a) | <b>1,256,928</b> | <b>76,483</b>    | <b>1,262,869</b> | <b>59,347</b>    |

The above cash flow statements should be read  
in conjunction with the accompanying notes.

# **GEOPACIFIC RESOURCES NL**

*ACN 003 208 393  
and Controlled Entities*

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006**

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### 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Geopacific Resources NL as an individual entity and the Group consisting of Geopacific Resources NL and its subsidiaries.

#### **Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

#### **Compliance with IFRSs**

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Geopacific Resources NL comply with International Financial Reporting Standards (IFRSs). The Company financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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 statements, are disclosed in note 3.

#### **Significant accounting policies**

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The Company has adopted relevant new and revised accounting standards and pronouncements with no material impact.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

##### **(a) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred.

##### **(b) Borrowing costs**

Borrowing costs are expensed as incurred.

##### **(c) Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash at bank.

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### 1 Summary of significant accounting policies (continued)

#### (d) 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.

#### (e) Employee benefits

##### (i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

##### (ii) Long service leave

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

##### (iii) Share-based payments

The fair value of options granted to directors and employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option

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

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

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### 1 Summary of significant accounting policies (continued)

#### (f) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

#### (g) Foreign currency translation

##### (i) Functional and presentation currency

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

##### (ii) Transactions and balances

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

#### (h) Goods and Services Tax (GST)

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

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

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

#### (i) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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 inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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### 1 Summary of significant accounting policies (continued)

#### (j) 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 national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

#### (k) Investments

Non-current investments in controlled entities are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments.

#### (l) Loss per share

##### (i) Basic loss per share

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

##### (ii) Diluted loss per share

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

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### 1 Summary of significant accounting policies (continued)

#### (m) Deferred Exploration Expenditure

The Group has adopted the area of interest method for capitalising the costs of procurement, exploration and evaluation of areas where applications have been made for Prospecting Licences.

The ultimate recoupment of such costs is dependent on sale of the tenement(s) or successful development and commercial exploitation of the areas. Amortisation charges are to be made over the life of the areas of interest and will be determined on a basis so that the rate of amortisation shall not lag behind the rate of depletion of the economically recoverable reserves in the areas of interest.

The areas of interest are each of the Special Prospecting Licences in which companies in the Group have an interest. Where exploration expenditure has been incurred during the period, it will be carried forward in the Balance Sheet together with procurement costs as deferred mineral exploration expenditure until the directors are of the opinion that a tenement should be abandoned as it shows no potential for recovery of expenditure incurred, in which case the said expenditure is written off in the Income Statements.

#### (n) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

- Plant, vehicles and equipment                      10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

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### 1 Summary of significant accounting policies (continued)

#### (o) Principles of consolidation

##### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Geopacific Resources NL ("company" or "The Company") as at 31 December 2006 and the results of all subsidiaries for the year then ended. Geopacific Resources NL and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Geopacific Resources NL.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (p) Revenue recognition

##### (i) Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the Group has passed the risks and rewards of ownership to the buyer.

##### (ii) Interest Income

Interest income is recognised on an accrual basis.

##### (iii) Other Income

Other income is recognised on receipt.

##### (iv) General

All revenue is stated net of goods and services tax (GST).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

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### 1 Summary of significant accounting policies (continued)

#### (q) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

#### (r) Trade receivables

Trade receivables are recognised initially at fair value, less provision for doubtful debts.

#### (s) Trade and other payables

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

#### (t) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 December 2006 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

##### (i) *UIG 4 Determining whether an Asset Contains a Lease*

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 January 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.

##### (ii) *UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

The Group does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Group's financial statements.

##### (iii) *AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]*

AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. The Group does not have any financial guarantee contracts. This standard will not affect the Group's financial statements.

##### (iv) *AASB 2005-10 and AASB 7 Amendments to Australian Accounting Standards AASB 7*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Group's financial instruments.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

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### 1 Summary of significant accounting policies (continued)

(v) *AASB 2005-6 Amendments to Australian Accounting Standards [AASB 121]*

AASB 2005-6 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency of the reporting entity or the foreign operation. Geopacific Resources NL does not have any monetary items forming part of a net investment in a foreign operation. The amendment to AASB 121 will therefore have no impact on the Group's financial statements.

### 2 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

#### (a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

#### (b) Credit risk

There is negligible credit risk on financial assets of the Group since there is no exposure to individual customers or countries and the Group's exposure is limited to the amount of cash, short term deposits and receivables which have been recognised in the balance sheet and is minimised by using recognised financial intermediaries as counterparties.

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed finance facilities.

#### (d) Cash flow and fair value interest rate risk

The Group is exposed to a risk of change in cash flows due to changes in interest rates.

### 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



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|  | Consolidated  |               | The Company   |               |
|--|---------------|---------------|---------------|---------------|
|  | 2006          | 2005          | 2006          | 2005          |
|  | \$            | \$            | \$            | \$            |
| <b>4 Revenue from continuing operations</b>  |               |               |               |               |
| Interest received  | 72,280        | 108           | 72,280        | -             |
| Net Gain on sale of assets   | -             | 2,738         | -             | -             |
| Unrealised foreign exchange gain   | -             | 15,807        | -             | -             |
| Other revenues   | -             | 439           | -             | 15,157        |
| <b>Total revenue from continuing operations</b>  | <b>72,280</b> | <b>19,092</b> | <b>72,280</b> | <b>15,157</b> |
| <b>5 Expenses</b>  |               |               |               |               |
| Loss before income tax has been arrived at after charging the following specific expenses: |               |               |               |               |
| Depreciation   | -             | 504           | -             | -             |
| Borrowing costs  | -             | 462           | -             | -             |
| Options expense  | 236,178       | -             | 236,178       | -             |
| Unrealised foreign currency exchange (gain)/loss   | -             | (15,807)      | 105,002       | -             |
| Provision for diminution of loans to subsidiaries  | -             | -             | 27,738        | -             |
| <b>6 Remuneration of Auditors</b>  |               |               |               |               |
| Audit Services:  |               |               |               |               |
| Auditors of the company – Nexia Court & Co   |               |               |               |               |
| Audit of the financial report of the subsidiary companies                                  | 22,723        | 12,412        | 22,723        | 12,412        |
| Other Services – Tax   | -             | 23,460        | -             | 23,460        |
| Other Auditors – Ernst & Young Fiji  |               |               |               |               |
| Audit of the financial report of the subsidiary companies                                  | 16,183        | 4,045         | -             | -             |
| <b>7 Taxation</b>  |               |               |               |               |
| <b>a Income Tax Expense</b>  |               |               |               |               |
| Prima facie income tax benefit calculated at 30% on the loss from ordinary activities      | (114,883)     | (40,582)      | (154,705)     | (36,449)      |
| Increase/(decrease) in income tax expense due to:  |               |               |               |               |
| Tax benefit on losses not recognised   | 114,883       | 40,582        | 154,705       | 36,449        |
| <b>Income Tax Expense</b>  | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

|   | Consolidated |         | The Company |         |
|---|--------------|---------|-------------|---------|
|   | 2006         | 2005    | 2006        | 2005    |
|   | \$           | \$      | \$          | \$      |
| <b>7 Taxation (continued)</b>   |              |         |             |         |
| <b>b Deferred tax assets</b>  |              |         |             |         |
| <i>Future income tax benefit not taken into account</i>   |              |         |             |         |
| The potential future income tax benefit arising from tax losses and temporary differences has not been recognised as an asset because recovery of tax assets is not probable. |              |         |             |         |
| Tax losses carried forward  | 163,625      | 119,595 | 163,625     | 119,595 |
| Temporary differences   | -            | -       | 573,031     | -       |
|   | 163,625      | 119,595 | 736,656     | 119,595 |

The potential future income tax benefit will only be obtained if:

- i. the Group and the company derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- ii. the Group and the company continue to comply with the conditions for deductibility imposed by the law; and
- iii. no changes in tax legislation adversely affect the realising of the benefit.

|                                    | Consolidated |        | The Company |        |
|------------------------------------|--------------|--------|-------------|--------|
|                                    | 2006         | 2005   | 2006        | 2005   |
|                                    | \$           | \$     | \$          | \$     |
| <b>8 Cash and cash equivalents</b> |              |        |             |        |
| <b>Current</b>                     |              |        |             |        |
| Cash at bank                       | 1,256,968    | 76,483 | 1,262,869   | 59,347 |

The average effective interest rate for 2006 was 5.75%

### 9 Trade and other receivables

|                     | Consolidated |        | The Company |        |
|---------------------|--------------|--------|-------------|--------|
|                     | 2006         | 2005   | 2006        | 2005   |
|                     | \$           | \$     | \$          | \$     |
| <b>Current</b>      |              |        |             |        |
| Short term deposits | 104,942      | 24,477 | -           | -      |
| Sundry debtors      | -            | 2,334  | -           | -      |
| GST receivable      | 62,365       | 11,549 | 7,738       | 11,549 |
|                     | 167,307      | 38,360 | 7,738       | 11,549 |

The average effective interest rate for 2006 was 5.50% (2005 5.25%)

### 10 Other current assets

|                     |        |   |        |   |
|---------------------|--------|---|--------|---|
| Current Prepayments | 17,662 | - | 17,662 | - |
|                     | 17,662 | - | 17,662 | - |

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| 11 Receivables                     | Consolidated |      | The Company |         |
|------------------------------------|--------------|------|-------------|---------|
|                                    | 2006         | 2005 | 2006        | 2005    |
|                                    | \$           | \$   | \$          | \$      |
| <b>Non-current</b>                 |              |      |             |         |
| Amount owing by Geopacific Limited | -            | -    | 1,492,820   | 791,042 |
| Less provision for diminution      | -            | -    | (27,738)    | -       |
|                                    | -            | -    | 1,465,082   | 791,042 |

### 12 Exploration expenditure

#### Non-Current

Costs carried forward in respect of areas of interest in Fiji in exploration and evaluation phase are:

|   |   | Consolidated |         | The Company |      |
|---|---|--------------|---------|-------------|------|
|   |   | 2006         | 2005    | 2006        | 2005 |
|   |   | \$           | \$      | \$          | \$   |
|   | <b>Beneficial<br/>Interest of the<br/>Group</b> |              |         |             |      |
| <b>Tenement</b>                                   |   |              |         |             |      |
| SPL 1377 Nuku                                     | 100%  | 454,710      | 362,638 | 350         | -    |
| SPL 1434 Nadi South                               | 100%  | 591,329      | 372,574 | 28,801      | -    |
| SPL 1368 Vuda                                     | 80%   | 170,212      | 38,201  | 12,901      | -    |
| SPL 1361 Sabeto                                   | 100%  | 17,541       | 9,226   | -           | -    |
| CX 667 Nadovu                                     | 100%  | 8,371        | 6,919   | 1,200       | -    |
|   |   | 1,242,163    | 789,558 | 43,252      | -    |
| Raki Raki Joint Venture<br>(SPL 1231, 1373, 1436) | 50%   | 554,616      | 76,474  | 126,483     | -    |
|   |   | 1,796,829    | 866,032 | 169,735     | -    |
| <b>Movement</b>                                   |   |              |         |             |      |
| Carrying value – beginning of year                |   | 866,032      | 779,878 | -           | -    |
| Additions   |   | 930,797      | 86,154  | 169,735     | -    |
| Amounts written off                               |   | -            | -       | -           | -    |
| Carrying value – end of year                      |   | 1,796,829    | 866,032 | 169,735     | -    |

### 13 Property, plant and equipment

#### Non-Current

Plant, vehicles and equipment at Directors' valuation of market value at 1 January 1999

*Less:* Provision for depreciation

|         |         |   |   |
|---------|---------|---|---|
| 9,639   | 7,367   | - | - |
| (1,254) | (3,782) | - | - |
| 8,385   | 3,585   | - | - |

#### Movement

Carrying value – beginning of year  
Additions  
Depreciation (included in exploration expenditure in 2006)  
Carrying value – end of year

|         |       |   |   |
|---------|-------|---|---|
| 3,585   | 3,372 | - | - |
| 6,128   | 717   | - | - |
| (1,328) | (504) | - | - |
| 8,385   | 3,585 | - | - |

# GEOPACIFIC RESOURCES NL

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

### 14 Investments

#### Non-current

##### *Investments in Unlisted Securities*

|                                  |   |   |                    |             |
|----------------------------------|---|---|--------------------|-------------|
| . Shares in Beta Limited         | - | - | <b>15,372</b>      | 15,372      |
| . Shares in Geopacific Limited   | - | - | <b>1,866,993</b>   | 1,866,993   |
| Provision for loss on investment | - | - | <b>(1,882,365)</b> | (1,882,365) |
|                                  | - | - | -                  | -           |

### 15 Trade and other payables

#### Current

|  |                |         |               |        |
|--|----------------|---------|---------------|--------|
| Trade creditors and accruals                                     | <b>207,418</b> | 41,858  | <b>46,605</b> | 37,638 |
| Directors fees owed  | <b>53,445</b>  | 124,975 | -             | -      |
| Advance from director – This loan is unsecured and interest free | -              | 500     | -             | 500    |
|  | <b>260,863</b> | 167,333 | <b>46,605</b> | 38,138 |

### 16 Loans and borrowings

#### Current

|   |   |         |   |         |
|---|---|---------|---|---------|
| Convertible Notes – Finders Resources Ltd | - | 280,000 | - | 280,000 |
|   | - | 280,000 | - | 280,000 |

### 17 Contributed equity

#### Issued Capital

|  |                  |           |                  |           |
|--|------------------|-----------|------------------|-----------|
| Balance as at 1 January  | <b>3,699,809</b> | 3,644,118 | <b>3,699,809</b> | 3,644,118 |
| Issues during period:  |                  |           |                  |           |
| 750,000 at 10 cents  | -                | 75,000    | -                | 75,000    |
| 750,000 at 10 cents  | -                | 75,000    | -                | 75,000    |
| 750,000 at 10 cents  | -                | 75,000    | -                | 75,000    |
| 250,000 at 10 cents  | -                | 25,000    | -                | 25,000    |
| 4,233,333 at 6.6 cents on conversion of convertible notes      | <b>280,000</b>   | -         | <b>280,000</b>   | -         |
| 11,938,025 shares issued under IPO                             | <b>2,719,844</b> | -         | <b>2,719,844</b> | -         |
| 308,098 shares issued in lieu of payment for services rendered | <b>61,620</b>    | -         | <b>61,620</b>    | -         |
| Less share issue costs   | <b>(449,277)</b> | (194,309) | <b>(449,277)</b> | (194,309) |
| Balance as at 31 December                                      | <b>6,311,996</b> | 3,699,809 | <b>6,311,996</b> | 3,699,809 |

At balance date the company had on issue the following securities:

- 35,762,342 (2005 – 19,282,886) fully paid ordinary shares, and
- 14,286 (2005 – 14286) contributing shares paid to 10.5 cents.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

### 18 Options

#### Consolidated and Company

| 2006<br>Issue<br>Date  | Expiry<br>Date | Exercise<br>Price | Number                          |                           |                          | Number<br>on issue<br>31 December<br>2006 |                             |
|------------------------|----------------|-------------------|---------------------------------|---------------------------|--------------------------|---|-----------------------------|
|                        |                |                   | on issue<br>31 December<br>2005 | Granted<br>during<br>year | Lapsed<br>during<br>year |   | Exercised<br>during<br>year |
| 08.05.2006             | 08.05.2012     | \$0.20            | -                               | 500,000                   | -                        | -   | 500,000                     |
| 08.05.2006             | 08.05.2013     | \$0.25            | -                               | 500,000                   | -                        | -   | 500,000                     |
| 08.05.2006             | 08.05.2014     | \$0.30            | -                               | 500,000                   | -                        | -   | 500,000                     |
| 01.12.2006             | 01.11.2009     | \$0.50            | -                               | 200,000                   | -                        | -   | 200,000                     |
| 01.12.2006             | 01.11.2009     | \$0.70            | -                               | 200,000                   | -                        | -   | 200,000                     |
| Total Options on issue |                |                   | -                               | 1,900,000                 | -                        | -   | 1,900,000                   |

On 8 May 2006 the Company granted 1,500,000 options to Mr I Pringle vesting on the first, second and third anniversaries of the listing date which are exercisable at any time until expiry five years from the vesting date at option exercise prices of \$0.20, \$0.25 and \$0.30.

On 1 December 2006 the Company granted 400,000 options to employees of Geopacific Ltd which are exercisable at any time until expiry on 1 November 2009 at option exercise prices of \$0.50 and \$0.70.

**2005** No options were issued in 2005.

|   | Consolidated   |       | The Company    |       |
|---|----------------|-------|----------------|-------|
|   | 2006           | 2005  | 2006           | 2005  |
|   | \$             | \$    | \$             | \$    |
| <b>19 Reserves</b>                          |                |       |                |       |
| <b>(a) Reserves</b>                         |                |       |                |       |
| Forfeited Share Reserve                     | 3,123          | 3,123 | 3,123          | 3,123 |
| Foreign Currency Translation Reserve        | (16,260)       | -     | -              | -     |
| Share-Based Payments Reserve                | 236,178        | -     | 236,178        | -     |
|   | <b>223,041</b> | 3,123 | <b>239,301</b> | 3,123 |
| <b>(b) Movements</b>                        |                |       |                |       |
| <i>Share-based payments reserve</i>         |                |       |                |       |
| Balance 1 January                           | -              | -     | -              | -     |
| Option expense                              | 236,178        | -     | 236,178        | -     |
| Balance 31 December                         | 236,178        | -     | 236,178        | -     |
| <i>Foreign Currency Translation Reserve</i> |                |       |                |       |
| Balance 1 January                           | -              | -     | -              | -     |
| Exchange losses during year                 | (16,260)       | -     | -              | -     |
| Balance 31 December                         | (16,260)       | -     | -              | -     |
| <i>Forfeited Share Reserve</i>              |                |       |                |       |
| Balance 1 January                           | 3,123          | 3,123 | 3,123          | 3,123 |
| Shares forfeited during year                | -              | -     | -              | -     |
| Balance 31 December                         | 3,123          | 3,123 | 3,123          | 3,123 |
| Total reserves                              | <b>223,041</b> | 3,123 | <b>239,301</b> | 3,123 |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

### 19 Reserves (continued)

#### (c) Nature and purpose of reserves

##### *Share-based payments reserve*

The share based payments reserve records the value of options issued to employees and Directors which have been taken to expenses.

##### *Foreign Currency Translation Reserve*

The Foreign Currency Translation Reserve records unrealised exchange gains and losses during the year.

##### *Forfeited Shares Reserve*

The Forfeited Shares Reserve records the amount of paid up capital received on shares which have been forfeited due to non payment of calls.

|   | <b>Consolidated</b> |             | <b>The Company</b> |             |
|---|---------------------|-------------|--------------------|-------------|
|   | <b>2006</b>         | <b>2005</b> | <b>2006</b>        | <b>2005</b> |
|   | \$                  | \$          | \$                 | \$          |
| <b>20 Accumulated losses</b>                    |                     |             |                    |             |
| Accumulated losses at the beginning of the year | <b>(3,165,805)</b>  | (3,030,532) | <b>(3,159,132)</b> | (3,037,636) |
| Loss for the year                               | <b>(382,944)</b>    | (135,273)   | <b>(515,684)</b>   | (121,496)   |
| Accumulated losses at the end of the year       | <b>(3,548,749)</b>  | (3,165,805) | <b>(3,674,816)</b> | (3,159,132) |

### 21 Commitments

#### *Tenement Commitments*

Entities in the Group are committed for expenditure by way of cash expenditure to retain their interest in areas over which Special Prospecting Licenses are held.

The following proposals have been made to the Mineral Resources Department of Fiji.

| Tenement                                       | Renewal to                              | Expenditure \$F | Comments   |
|--|---|-----------------|--|
| SPL 1377                                       | 31 December, 2007                       | 200,000         |  |
| SPL 1434                                       | 16 March 2008                           | 200,000         |  |
| SPL 1368                                       | 31 December, 2007                       | 100,000         |  |
| SPL 1361                                       | 31 December, 2007                       | 50,000          |  |
| SPL application CX 667<br>(enclosing SPL 1377) | First 12 month period<br>after granting | 60,000          | It is expected that CX 667 will be granted in 2007     |
| SPL 1231/1373                                  | 31 December, 2007                       | 200,000         | 50% to be met by JV partner Imperial Mining (Fiji) Ltd |
| SPL 1436                                       | 16 March 2008                           | 30,000          | 50% to be met by JV partner Imperial Mining (Fiji) Ltd |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

### 22 Contingent liabilities

*Option acquisition payments*

| Tenement | Due Date                | Expenditure | Comments |
|----------|-------------------------|-------------|----------|
| SPL 1368 | on or before 9 May 2007 | AUD\$34,000 |          |
| SPL 1361 | on or before 9 May 2007 | F\$10,000   |          |

Under the Vuda Option to purchase and Joint Venture Agreement, Geopacific Limited (GPL) must pay the vendor, Apisai Vuniyayawa Tora (Tora) the following amounts:

- \$34,000 Australian on the first anniversary of the listing date.

Under the Sabeto Option to Purchase Agreement, also between GPL and Tora, GPL must pay the following amounts:

- \$10,000 Fijian on or before the first anniversary of the listing date.

- \$30,000 Fijian on or before the second anniversary of the listing date.

### 23 Particulars relating to controlled entities

|                    | Class of Share | Holding Company |           | Amount of Investment |                  |
|--------------------|----------------|-----------------|-----------|----------------------|------------------|
|                    |                | 2006<br>%       | 2005<br>% | 2006<br>\$           | 2005<br>\$       |
| Beta Limited       | Ordinary       | 100             | 100       | 15,372               | 15,372           |
| Geopacific Limited | Ordinary       | 100             | 100       | 1,866,993            | 1,866,993        |
|                    |                |                 |           | <u>1,882,365</u>     | <u>1,882,365</u> |

Geopacific Limited and Beta Limited are companies incorporated and carrying on business in Fiji.

### 24 Key management personnel disclosures

#### (a) Directors

The names of each person holding the position of director of Geopacific Resources NL during the financial year were:

I J Pringle

R J Fountain

W A Brook

R H Probert

I N A Simpson

C K McCabe (alternate for INA Simpson)

#### (b) Other key management personnel

All directors are identified as key management personnel under AASB 124 "Related Party Disclosures".

There are no other staff that meet the definition of key management personnel.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

### 24 Key management personnel disclosures (continued)

#### (c) Key management personnel compensation

|                              | Consolidated   |               | The Company    |               |
|------------------------------|----------------|---------------|----------------|---------------|
|                              | 2006           | 2005          | 2006           | 2005          |
|                              | \$             | \$            | \$             | \$            |
| Short-term employee benefits | 274,803        | 71,590        | 274,803        | 71,590        |
| Post-employment benefits     | -              | 7,540         | -              | 7,540         |
| Share-based payments         | 47,318         | -             | 47,318         | -             |
|                              | <b>322,121</b> | <b>79,130</b> | <b>322,121</b> | <b>79,130</b> |

The Company has taken advantage of the relief provided by the Corporations Regulations and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found in sections A-D of the remuneration report included in the Directors report.

#### (d) Directors Loans

|                                | 2006 | 2005 |
|--------------------------------|------|------|
|                                | \$   | \$   |
| <b>Director</b><br>I J Pringle | -    | 500  |

The loan was unsecured and interest free.

#### (e) Directors Fees Owing

| <b>Director</b> |        |         |
|-----------------|--------|---------|
| W A Brook       | 53,445 | 124,975 |

#### (f) Equity instrument disclosures relating to key management personnel

##### (i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report included in the Directors report.

##### (ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of the Company and other key management personnel of the Group, including their personally related parties, are set out below.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

### 24 Key management personnel disclosures (continued)

| 2006   |                   | Granted      | Exercised  | Other      | Balance at     | Vested and    |
|--|-------------------|--------------|------------|------------|----------------|---------------|
| Name   | Balance at the    | during the   | during the | changes    | the end of the | exercisable   |
|  | start of the year | year as      | year       | during the | year           | at the end of |
|  |                   | compensation |            | year       |                | the year      |
| <b>Directors of Geopacific Resources Ltd</b> |                   |              |            |            |                |               |
| I J Pringle                                  | -                 | 1,500,000    | -          | -          | -              | 1,500,000     |
| W A Brook                                    | -                 | -            | -          | -          | -              | -             |
| I N A Simpson                                | -                 | -            | -          | -          | -              | -             |
| R J Fountain                                 | -                 | -            | -          | -          | -              | -             |
| R H Probert                                  | -                 | -            | -          | -          | -              | -             |

No options are vested and unexercisable at the end of the year.

| 2005   |                   | Granted      | Exercised  | Other      | Balance at | Vested and    |
|--|-------------------|--------------|------------|------------|------------|---------------|
| Name   | Balance at the    | during the   | during the | changes    | the end of | exercisable   |
|  | start of the year | year as      | year       | during the | the year   | at the end of |
|  |                   | compensation |            | year       |            | the year      |
| <b>Directors of Geopacific Resources Ltd</b> |                   |              |            |            |            |               |
| I J Pringle                                  | -                 | -            | -          | -          | -          | -             |
| W A Brook                                    | -                 | -            | -          | -          | -          | -             |
| I N A Simpson                                | -                 | -            | -          | -          | -          | -             |
| R J Fountain                                 | -                 | -            | -          | -          | -          | -             |
| R H Probert                                  | -                 | -            | -          | -          | -          | -             |

#### (iii) Share holdings

The numbers of shares in the company held at the end of the financial year by each Director of the Company and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

| 2006   |                      | Received during the  | Other changes   | Balance at the end |
|--|----------------------|----------------------|-----------------|--------------------|
| Name   | Balance at the start | year on the exercise | during the year | of the year        |
|  | of the year          | of options           |                 |                    |
| <b>Ordinary shares</b>                       |                      |                      |                 |                    |
| <b>Directors of Geopacific Resources Ltd</b> |                      |                      |                 |                    |
| I J Pringle                                  | 60,000               | -                    | -               | 60,000             |
| W A Brook                                    | 4,591,083            | -                    | -               | 4,591,083          |
| I N A Simpson                                | 692,695              | -                    | -               | 692,695            |
| R J Fountain                                 | 40,000               | -                    | -               | 40,000             |
| R H Probert                                  | 589,454              | -                    | -               | 589,454            |
| C K McCabe                                   | 595,238              | -                    | -               | 595,238            |
| 2005   |                      | Received during the  | Other changes   | Balance at the end |
| Name   | Balance at the start | year on the exercise | during the year | of the year        |
|  | of the year          | of options           |                 |                    |
| <b>Ordinary shares</b>                       |                      |                      |                 |                    |
| <b>Directors of Geopacific Resources Ltd</b> |                      |                      |                 |                    |
| I J Pringle                                  | 60,000               | -                    | -               | 60,000             |
| W A Brook                                    | 4,591,083            | -                    | -               | 4,591,083          |
| I N A Simpson                                | 692,695              | -                    | -               | 692,695            |
| R J Fountain                                 | 40,000               | -                    | -               | 40,000             |
| R H Probert                                  | 589,454              | -                    | -               | 589,454            |
| C K McCabe                                   | 595,238              | -                    | -               | 595,238            |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

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### 25 Related party transactions

All transactions with related parties are on normal commercial terms and conditions.

### 26 Share-based payments

#### (a) Employee Option Plan

The establishment of the Geopacific Resources NL Employee Option Plan was approved by shareholders at the 2001 annual general meeting. All staff and consultants are eligible to participate in the plan.

Options are granted under the plan for no consideration. Options are granted for a five year period.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

Set out below are summaries of options granted under the plan:

| Grant date      | Expiry date     | Exercise price | Value per option at grant date | Date vesting    |
|-----------------|-----------------|----------------|--------------------------------|-----------------|
| 8 May 2006      | 8 May 2012      | \$0.20         | \$0.0843                       | 8 May 2007      |
| 8 May 2006      | 8 May 2013      | \$0.25         | \$0.0757                       | 8 May 2008      |
| 8 May 2006      | 8 May 2014      | \$0.30         | \$0.0708                       | 8 May 2009      |
| 1 December 2006 | 1 November 2009 | \$0.50         | \$0.4945                       | 1 December 2006 |
| 1 December 2006 | 1 November 2009 | \$0.70         | \$0.4498                       | 1 December 2006 |

No options were forfeited during the periods covered by the above tables.

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2006 was \$0.3237 (2005 – N/A).

The weighted average remaining contractual life of share options outstanding at the end of the period was 5.62 years (2005 – na).

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

# GEOPACIFIC RESOURCES NL

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

### 27 Events occurring after the balance sheet date

Except for the acquisition of Millenium Mining (Fiji) Limited, including its assets, no matters or circumstances have arisen since 31 December 2006 that have significantly affected or may significantly affect the Group's operations in future financial years, or the results of those operations in future financial years, or the Group's state of affairs in future financial years.

### 28 Segment information

The Group operates in one business segment being mineral exploration in Fiji.

### 29 Loss per share

|   | <b>Consolidated</b> |            |
|---|---------------------|------------|
|   | <b>2006</b>         | 2005       |
|   | <b>Cents</b>        | Cents      |
| <b>(a) Basic loss per share</b>   |                     |            |
| Loss attributable to the ordinary equity holders of the company   | <b>1.28</b>         | 0.78       |
| <b>(b) Diluted loss per share</b>   |                     |            |
| Loss attributable to the ordinary equity holders of the company   | <b>1.27</b>         | 0.78       |
| <b>(c) Reconciliations of loss used in calculating loss per share</b>   |                     |            |
|   | <b>Consolidated</b> |            |
|   | <b>2006</b>         | 2005       |
|   | <b>\$</b>           | \$         |
| <i>Basic loss per share</i>   |                     |            |
| Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share                                      | <b>(382,944)</b>    | (135,273)  |
| <i>Diluted loss per share</i>   |                     |            |
| Loss attributable to the ordinary equity holders of the company used in calculating diluted loss per share                                    | <b>(382,944)</b>    | (135,273)  |
| <b>(d) Weighted average number of shares used as the denominator</b>  |                     |            |
|   | <b>Consolidated</b> |            |
|   | <b>2006</b>         | 2005       |
|   | <b>Number</b>       | Number     |
| <i>Weighted average number of ordinary shares used as the denominator in calculating basic loss per share</i>                                 | <b>29,907,210</b>   | 17,278,776 |
| Adjustments for calculation of diluted loss per share:  |                     |            |
| Options   | <b>352,438</b>      | -          |
| <i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share</i> | <b>30,259,648</b>   | 17,278,776 |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

### 30 Notes to the cash flow statement

- (a) For the purpose of the Cash Flow Statement, Cash and cash equivalents include Cash at bank.

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

|              | Consolidated     |        | The Company      |        |
|--------------|------------------|--------|------------------|--------|
|              | 2006             | 2005   | 2006             | 2005   |
|              | \$               | \$     | \$               | \$     |
| Cash at Bank | <b>1,256,928</b> | 76,483 | <b>1,262,869</b> | 59,347 |

(b) **Non Cash Financing**

Conversion of redeemable notes into shares

|  |         |   |         |   |
|--|---------|---|---------|---|
|  | 280,000 | - | 280,000 | - |
|--|---------|---|---------|---|

Shares issued in lieu of payment for services rendered

|  |        |   |        |   |
|--|--------|---|--------|---|
|  | 61,620 | - | 61,620 | - |
|--|--------|---|--------|---|

(c) **Reconciliation of Cash Flows from Operating Activities**

|                   |           |           |           |           |
|-------------------|-----------|-----------|-----------|-----------|
| Loss for the year | (382,944) | (135,273) | (515,684) | (121,496) |
|-------------------|-----------|-----------|-----------|-----------|

|              |   |     |   |   |
|--------------|---|-----|---|---|
| Depreciation | - | 504 | - | - |
|--------------|---|-----|---|---|

|  |   |   |        |   |
|--|---|---|--------|---|
| Provision for diminution loans to subsidiaries | - | - | 27,738 | - |
|--|---|---|--------|---|

|                 |         |   |         |   |
|-----------------|---------|---|---------|---|
| Options expense | 236,178 | - | 236,178 | - |
|-----------------|---------|---|---------|---|

|                            |   |         |   |   |
|----------------------------|---|---------|---|---|
| Net gain on sale of assets | - | (2,738) | - | - |
|----------------------------|---|---------|---|---|

***Changes in Assets and Liabilities:***

|                                    |           |          |       |         |
|------------------------------------|-----------|----------|-------|---------|
| (Decrease)/increase in receivables | (128,947) | (14,592) | 3,811 | (5,918) |
|------------------------------------|-----------|----------|-------|---------|

|                          |          |   |          |   |
|--------------------------|----------|---|----------|---|
| Decrease in other assets | (17,662) | - | (17,662) | - |
|--------------------------|----------|---|----------|---|

|                      |        |        |        |       |
|----------------------|--------|--------|--------|-------|
| Increase in payables | 79,098 | 10,760 | 70,587 | 4,863 |
|----------------------|--------|--------|--------|-------|

**Net Cash Used in Operating Activities**

|  |                  |           |                  |           |
|--|------------------|-----------|------------------|-----------|
|  | <b>(214,277)</b> | (141,339) | <b>(195,032)</b> | (122,551) |
|--|------------------|-----------|------------------|-----------|

# GEOPACIFIC RESOURCES NL

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## CORPORATE GOVERNANCE STATEMENT

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The Board of Directors is responsible for the corporate governance of the Company including its strategic development, and has adopted the following principles:

**Accountability** - The Board is accountable to the Company Shareholders for the performance of the Company and will have overall responsibility for its operations. Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives is delegated by the Board to the Managing Director.

**Board Composition** - The Directors consider the size and composition of the Board is appropriate given the size and status of the Company. However, the Company's constitution provides that at every annual general meeting, one third of the directors shall retire from office but may stand for re-election.

**Conflicts of Interest** - In accordance with the Corporations Act and the Company's constitution, the Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company.

**Director and Senior Management Dealings in Company Securities** - The Company's constitution permits the Directors to acquire securities in the Company. However, the Company policy prohibits directors and senior management from trading the Company's securities at any time whilst in possession of price sensitive information, and for 24 hours after any major announcements, the release of the Company's annual financial results to the ASX or the annual general meeting.

**Board Committees** - The Board of Directors takes ultimate responsibility for corporate governance including the functions of establishing compensation arrangements of the Managing Director and its senior executives and officers, appointment and retirement of non-executive directors, appointment of auditors, areas of business risk, maintenance of ethical standards and Audit and Remuneration/Nomination Committees. The Board seeks independent professional advice as necessary in carrying out its duties and responsibilities.

**Continuous Disclosure** - The Company has a policy that all the Company shareholders and investors have equal access to the company's information and that shareholders will be informed of all major developments affecting the Company's state of affairs. The Chairman of the Board ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. The company secretary has primary responsibility for all communications with the ASX.

**Code of Ethics** - The Directors, management and staff are expected to perform their duties for the Company in a professional manner and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

**Share Based Payments** - The Company has and intends to issue options to Directors and senior staff as an incentive in relation to performance of their duties.

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## ASX INFORMATION

The shareholder information set out below was applicable as at 26 March 2007.

### A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

|         |          |         | Class of equity security |           |
|---------|----------|---------|--------------------------|-----------|
|         |          |         | Ordinary shares          |           |
|         |          |         | Shares                   | Options   |
| 1       | -        | 1000    | 8,224                    | -         |
| 1,001   | -        | 5,000   | 211,863                  | -         |
| 5,001   | -        | 10,000  | 1,510,900                | -         |
| 10,001  | -        | 100,000 | 8,658,508                | -         |
| 100,001 | and over |         | 28,746,287               | 1,900,000 |

There were xx holders of less than a marketable parcel of ordinary shares.

### B. Equity security holders

*Twenty largest quoted equity security holders*

The names of the twenty largest holders of **Fully Paid Ordinary** quoted equity securities are listed below:

| Name  | Ordinary shares   |                              |
|---|-------------------|------------------------------|
|   | Number held       | Percentage of issued capital |
| FINDERS CAPITAL LTD                               | 2,316,667         | 7.965                        |
| YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C>    | 1,962,600         | 6.748                        |
| OTTER GOLD MINES LTD                              | 1,808,451         | 6.218                        |
| MR OWEN LEIGH HEGARTY                             | 750,000           | 2.579                        |
| ROMADAK PTY LTD                                   | 750,000           | 2.579                        |
| MR RAYMOND JANSEN & MISS K F JANSEN               | 521,008           | 1.791                        |
| GRAHAM JULL & ASSOCIATES LTD                      | 503,644           | 1.732                        |
| MOONDANCE VENTURES LTD                            | 502,008           | 1.726                        |
| SHIMMERING BRONZE PTY LTD                         | 500,000           | 1.719                        |
| RESINFUND PTY LIMITED                             | 500,000           | 1.719                        |
| ROMADAK PTY LTD <ROMADAK SUPER FUND A/C>          | 500,000           | 1.719                        |
| ADMIRAL TOWER PTY LTD <LEVERAGED EQUITIES A/C>    | 500,000           | 1.719                        |
| MR JOSATEKI NALUKUYA SOVAU                        | 460,097           | 1.582                        |
| ADMIRAL TOWER PTY LTD                             | 385,200           | 1.324                        |
| TELICA NOMINEES PTY LTD                           | 372,600           | 1.281                        |
| MR ROBERT ADRIAN MAXWELL                          | 372,600           | 1.281                        |
| TICKET NOMINEES PTY LTD <KENNEDY CAPITAL ACCOUNT> | 366,300           | 1.259                        |
| MR ROBERT ADRIAN MAXWELL                          | 350,000           | 1.203                        |
| EXPLORATION & DRILLING SERVICES PTY LTD FIJI      | 308,098           | 1.059                        |
| PALAZZO NOMINEES PTY LTD <PALAZZO INVESTMENT A/C> | 302,600           | 1.040                        |
| <b>Total of Top 20 share holdings</b>             | <b>14,031,873</b> | <b>48.246</b>                |
| <b>Other shareholders</b>                         | <b>15,052,136</b> | <b>51.754</b>                |
| <b>Total ordinary shares</b>                      | <b>29,084,009</b> | <b>100.000</b>               |

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## ASX INFORMATION (Continued)

### B. Equity security holders (continued)

The names of the holders of 52.5c shares partly paid to 10.5c quoted equity securities are listed below:

| Holder Name                                      | Balance at<br>27-03-2007 | %              |
|--|--------------------------|----------------|
| MR HENRY DAVID KENNEDY <KENNEDY CAPITAL ACCOUNT> | 14,286                   | 100.000        |
| <b>Total</b>                                     | <b>14,286</b>            | <b>100.000</b> |

### C. Substantial holders

Substantial holders in the company are set out below:

| Substantial Shareholder<br>(extracts from Substantial Shareholder Register) | Shareholding |            |
|---|--------------|------------|
|   | Number held  | Percentage |
| FINDERS CAPITAL LTD   | 2,316,667    | 7.965      |
| YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C>                              | 1,962,600    | 6.748      |
| OTTER GOLD MINES LTD  | 1,808,451    | 6.218      |

### D. Voting rights

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

(a) Fully paid Ordinary shares

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

(b) Partly paid Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote in proportion to the amount paid up on the shares.

(c) Options

No voting rights.

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## ASX INFORMATION (Continued)

### E. Summary of options issued

|  | No of options  | No of holders | Options held | % Options Issued |
|--|----------------|---------------|--------------|------------------|
| <b>Options expiring 8 May 2012 with an exercise price of \$0.20</b>      | <b>500,000</b> | <b>1</b>      |              |                  |
| <b>Option holders with more than 20% of class</b>                        |                |               |              |                  |
| Ian Pringle  |                |               | 500,000      | 100.00%          |
| <b>Options expiring 8 May 2013 with an exercise price of \$0.25</b>      | <b>500,000</b> | <b>1</b>      |              |                  |
| Ian Pringle  |                |               | 500,000      | 100.00%          |
| <b>Options expiring 8 May 2014 with an exercise price of \$0.30</b>      | <b>500,000</b> | <b>1</b>      |              |                  |
| <b>Option holders with more than 20% of class</b>                        |                |               |              |                  |
| Ian Pringle  |                |               | 500,000      | 100.00%          |
| <b>Options expiring 1 November 2009 with an exercise price of \$0.50</b> | <b>200,000</b> | <b>2</b>      |              |                  |
| <b>Option holders with more than 20% of class</b>                        |                |               |              |                  |
| Simon Yardley  |                |               | 100,000      | 50.00%           |
| Roman Leslie   |                |               | 100,000      | 50.00%           |
| <b>Options expiring 1 November 2009 with an exercise price of \$0.70</b> | <b>200,000</b> | <b>2</b>      |              |                  |
| <b>Option holders with more than 20% of class</b>                        |                |               |              |                  |
| Simon Yardley  |                |               | 100,000      | 50.00%           |
| Roman Leslie   |                |               | 100,000      | 50.00%           |



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## SCHEDULE OF TENEMENTS

| Tenement   | Location             | Area                 | Status  | Anticipated Expenditure  |
|--|----------------------|----------------------|---|--|
| SPL 1377<br>NUKU 100%<br>GPL                                   | 50 km NNW<br>of Suva | 2,370 ha             | Granted on 15 August 1996 to GPL. Renewal application has been lodged and grant of renewal is dependent on meeting outstanding and current expenditure requirements, which will be achieved in 2007.  | F\$160,000 is proposed for the period to 31 December 2006. A similar expenditure is anticipated for 2007.<br><br>Costs 100% GPL                        |
| SPL 1434<br>NADI SOUTH<br>100% GPL                             | 7 km<br>SE of Nadi   | 7,450 ha             | Granted on 9 June 2005 to GPL for an initial 12 month period to 16 March 2006. Renewal application was lodged for the period to 16 March 2007 and grant of renewal is dependent on meeting outstanding and current expenditure requirements, which have now been met.       | F\$105,000 is proposed for the 12 month period to 16 March 2007. A similar expenditure is anticipated for the remainder of 2007.<br><br>Costs 100% GPL |
| SPL 1231<br>RAKI RAKI<br>50% Beta<br>50% Peninsula<br>Minerals | Raki Raki            | Approx.<br>7,790 ha. | Granted on 6 November 1985 to Beta. Peninsula Minerals has earned 50.0%. Renewal application was lodged for the 12 month period to 31 December 2006 and grant of renewal is dependent on meeting outstanding and current expenditure requirements, which have now been met. | F\$125,000 is proposed for the period to 31 December 2006. A similar expenditure is anticipated for 2007.<br><br>Costs 50% Beta.                       |

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## SCHEDULE OF TENEMENTS (Continued)

| Tenement  | Location  | Area                 | Status   | Anticipated Expenditure   |
|---|-----------|----------------------|--|---|
| SPL 1373<br>QALAU<br>50% Beta<br>50% Peninsula<br>Minerals  | Raki Raki | Approx.<br>3,440 ha. | Granted on 6 July 1995 to Beta. Peninsula Minerals has earned 50.0%.<br>Renewal application was lodged for the 12 month period to 31 December 2006 and grant of renewal is dependent on meeting outstanding and current expenditure requirements, which have now been met.   | F\$125,000 is proposed for the period to 31 December 2006. A similar expenditure is anticipated for 2007.<br><br>Costs 50% Beta.                        |
| SPL 1436<br>TABUKA<br>50% Beta<br>50% Peninsula<br>Minerals | Raki Raki | Approx.<br>2,500 ha  | Granted on 9 June 2005 to Beta for an initial 12 month period to 16 March 2006. Peninsula Minerals has 50% interest. Renewal application was lodged for the period to 16 March 2007 and grant of renewal is dependent on meeting outstanding and current expenditure requirements, which will be achieved in early 2007. | F\$30,000 is proposed for the 12 month period, to 16 March 2007. A similar expenditure is anticipated for the remainder of 2007.<br><br>Costs 50% Beta. |
| CX 667<br>NADOVU<br>SPL application.<br><br>100% GPL        | Nuku      | Approx.<br>7,300 ha  | Application was lodged on 16 March 2005. Notices appeared in local newspapers and in the Government Gazette in August 2005. No objections were received by the MRD and granting of CX 667 is expected during 2007.   | F\$60,000 is proposed for first 12 month period after granting.<br><br>Costs 100% GPL   |

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## SCHEDULE OF TENEMENTS (Continued)

| <b>Tenement</b>   | <b>Location</b>   | <b>Area</b> | <b>Status</b>  | <b>Anticipated Expenditure</b>  |
|---|-------------------|-------------|--|---|
| SPL 1368<br>VUDA<br>GPL has option to purchase 80% by GPL by 22 February 2008 | 15 km NNE of Nadi | 9,510 ha    | Granted on 18 October 1994. Ministerial approval for a 3 year option to purchase 80% was granted on 2 February 2005. Agreement signed 22 February 2005. Renewal application of SPL 1368 was lodged for the 12 month period to 31 December 2006 and renewal is dependent on meeting outstanding and current expenditure requirements, which will have been met by 31 December 2006. | Proposed expenditure of F\$75,000 to 31 December 2006. A similar expenditure is anticipated for 2007. Costs 100% GPL. |
| SPL 1361<br>SABETO<br>3-year option to purchase 100% by GPL.                  | 16 km NE of Nadi  | 3,850 ha    | Granted on 6 October 1999. Ministerial approval for a 3 year option to purchase 100% granted 21 March 2005. Agreement signed 4 April 2005. Application to renew the SPL was lodged and is dependent on meeting out-standing and current expenditure requirements, which will be achieved in early 2007.  | Proposed expenditure of F\$50,000 to 31 December 2006. A similar expenditure is likely for 2007. Costs 100% GPL.      |