GEOPACIFIC RESOURCES NL

ACN 003 208 393
and controlled entities

ASX code: GPR

Financial Statements

for the year ended 31 December 2011

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GEOPACIFIC RESOURCES NL
and Controlled Entities

CORPORATE DIRECTORY

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)	S T Biggs, Chairman C B Bass, The Executive Director I N A Simpson, Non-Executive Director R J Fountain Non-Executive Director R H Probert, (Alternate Director to Mr I N A Simpson)
Registered Office	Suite 6, 125 Melville Parade, Como, WA 6152, Australia
Postal Address	P.O. Box 111, South Perth, WA 6152
Joint Company Secretaries	Mr Mark Pitts Mr Grahame Clegg
Auditor	K.S. Black & Co., Level 6, 350 Kent Street Sydney, NSW, 2000, Australia
Bankers	Westpac Banking Corporation, 50 Pitt Street, Sydney, NSW

GEOPACIFIC LIMITED
(a private Company incorporated in Fiji)

Directors	R H Probert (Chairman) I N A Simpson
Fiji Operations Office	3 Brewer Street, Martintar, 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.fi
Company Secretary	I N A Simpson, P.O. Box 9975, Nadi Airport, Fiji Tel: 679 6 727150 Fax: 679 6 727152 E-mail: gpl@connect.com.fi
Registered Office	3 Brewer Street, Martintar, Nadi, Fiji
Banker	Westpac Banking Corporation, Main Street, Nadi, Fiji

CORPORATE DIRECTORY

BETA LIMITED
(a private company incorporated in Fiji)

Directors	I N A Simpson
Company Secretary	I N A Simpson, P.O. Box 9975, Nadi Airport, Fiji Tel: 679 6 727150 Fax: 679 6 727152 E-mail: gpl@connect.com.fi
Registered Office	3 Brewer Street, Martintar, Nadi, Fiji

MILLENNIUM MINING (FIJI) LIMITED
(a private company incorporated in Fiji)

Directors	I N A Simpson R H Probert
Company Secretary	I N A Simpson, P.O. Box 9975, Nadi Airport, Fiji Tel: 679 6 727150 Fax: 679 6 727152 E-mail: gpl@connect.com.fi
Registered Office	3 Brewer Street, Martintar, Nadi, Fiji

The Directors present their report together with the financial report of the Geopacific Group, being Geopacific Resources N.L. ("Geopacific") ("the Company") and its controlled entities for the financial year ended 31 December 2011, and the auditors' report thereon.

1 DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Stephen Timothy Biggs – Chairman,

Tim Biggs has been involved in the financing of listed companies in Australia since 1993.

Tim commenced his career with Pembroke Josephson Wright stockbrokers in Brisbane, Australia – the firm specialised in raising equity capital for natural resource companies. In 1997 Tim moved to Sydney to work for Robert Fleming and Company and subsequently for Credit Suisse First Boston gaining valuable experience in equity derivatives, convertible and Equity capital markets functions.

Since departing CSFB in 2003, Tim has worked privately investing in junior and mid-cap listed companies.

Mr Biggs is the Chairman of the Board of Directors and a member of the audit committee.

Charles Bennett Bass, The Executive Director

Charles Bass has well over 35 years of experience in mineral exploration, development and production in Australia, Canada and the United States. He has been actively involved as executive and director or several publicly listed companies since the early 1990's.

In March 2001, Mr Bass co-founded Australian-listed Aquila Resources Limited (AQA:ASX), remains a director and substantial shareholder in the multi-billion dollar market capitalisation coal and iron ore company.

Between 1993 and 1997, Mr. Bass was co-founder, substantial shareholder and a Managing Director of Eagle Mining Corporation Pty Ltd. Under Mr Bass, Eagle discovered, developed and built the Nimary gold mine and plant in Western Australia. The mine and plant were built in a record four months from ground breaking to first pour, and produced at over 100,000 oz/yr. Nimary was one of Australia's highest grade and lowest cost producers of its time.

Mr Bass is also currently the CEO and an executive director of an unlisted Canadian-based exploration company, Exploration Syndicate Inc. which has a major VMS Cu/Zn/Pb/Au discovery in the Flin Flon district of Manitoba/Saskatchewan, Canada,

Mr Bass has a B.Sc. Geology from Michigan Technological University and a M.Sc. Mining Engineering from Queen's University, Canada. He is a Fellow of the Institute of Geoscientists and the AusIMM. He is also a member of the Australian Institute of Company Directors

Ian Neville Aston Simpson, Non - Executive Director

Mr Simpson was appointed a Director of the Company in March 2001. Ian recently retired as the Managing Director of Pacific Crown Aviation (Fiji) Ltd, which operates a helicopter service based out of Nadi Airport in Fiji. Ian 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. Ian has been associated with GPL since 1981 and has been a Director since 1994. He is also a Director of Beta Ltd and Millennium Mining Fiji Ltd. Mr Simpson is a citizen of Fiji.

Mr Simpson is a member of the audit committee.

Russell John Fountain, B.Sc., Ph.D, F.A.I.G., Non-executive Director

Dr Fountain was appointed a Director and Chairman of the Company on 23 September, 2005. Russell is a Sydney-based consulting geologist with 42 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.

Russell has 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 holds a PhD in Geology from the University of Sydney (1973), with a thesis based on his work at the Panguna Mine (Cu-Au in PNG). He worked as a project geologist on the Namosi porphyry copper deposit in Fiji from 1972 to 1976. Russell is a Fellow of the Australian Institute of Geoscientists, and Non-Executive Chairman of Finders Resources Ltd.

Mr Fountain is the Chairman of the audit committee.

Roger Harvie Probert, - Alternate Director to Mr Simpson

Harvie 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. Harvie 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). He is Chairman of Geopacific Ltd and a Director of Millennium Mining Fiji Ltd. Mr Probert is a citizen of Fiji.

Former Director

Ian James Pringle, B.Sc. (Hons.), Ph.D, Managing Director
(Resigned as Director 15 September 2011)

JOINT COMPANY SECRETARIES

Mr Mark Pitts (appointed 17 February 2012)
Mr Pitts was appointed to the position of Company Secretary on 17 February 2012.

Mr Pitts is a Fellow of the Institute of Chartered Accountants with more than 25 years experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions.

He is a Partner in the corporate advisory firm Endeavour Corporate providing company secretarial support; corporate and compliance advice to a number of ASX listed public companies.

Mr Grahame Clegg, JP, BCom., CA, ACIS, MAICD, FTIA, AFAIM, FNTAA, SAFin.
Mr Clegg was appointed to the position of Company Secretary on 14 July 2006 and has over 38 years experience in audit, financial and corporate roles including 18 years in Company secretarial roles for ASX-listed companies. He is a director of Oakhill Hamilton Pty Ltd, and Taen Pty Ltd, companies which provide secretarial, accounting and corporate advisory services to a range of listed and unlisted companies.

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 Operating Results and Financial Review

The loss of the Group for the year ended 31 December 2011 was $1,723,299 (2010: loss $432,882). Information on the operation and financial position of the Group and its business strategies and prospects are set out following.

Review of Operations
The first half of the 2011 year was spent primarily on reprocessing the 2010 ZTEM airborne electromagnetic data by Mira Geosciences of Canada using their state-of-the art 3D inversions. The collation of most historical data was used to help validate the interpretations.

Significant ZTEM anomalies were developed for the Sabeto, Vuda and Nabila tenements, and a new area on the island of Vanua Levu. The Company lodged a tenement application over this new area, called Cakaudrove, which subsequent has been granted as SPL1493.

Nabila (SPL 1216)
A deep diamond drill hole with a target depth of 850m vertical was commenced in November and was directed at the "core" of the Nabila ZTEM anomaly. This anomaly is the 4th ranked of the ZTEM anomalies, and was chosen for the first deep hole due to ease of logistics. By the end of 2011, the hole had reached a depth of 245 metres before stopping for the Christmas/New Year break. It subsequently finished at a total depth of 846m on 9th March.

The alteration, mineralisation and fracturing observed in the upper portion of the drill hole is consistent with the outer zones of a porphyry copper system, but at depth the hole passed through variably altered volcanoclastic rocks and no core zone porphyry mineralization was encountered. Significant pyrite with trace amounts of zinc mineralization occurs below 500m to the end of hole and is believed to be the cause of the ZTEM anomaly. Assays remain outstanding for the lower portion of the hole.

Sabeto (SPL1361)
Mapping, trenching and soil auger sampling was carried out over the Sabeto ZTEM anomaly, which is the highest ranked anomaly. This work defined a multiphase intrusive with well zoned alteration, comprising a core of weak biotite alteration with minor chalcopyrite. The soil auger sampling identified anomalous copper, gold and molybdenum within the biotite core. Outcrop sampling returned values up to 1.71 g/t Au and 1.23% Cu. Drill targets have been identified by year-end.

Vuda (SPL1368)
Vuda hosts the second ranked ZTEM anomaly. Ridge and spur soil auger sampling identified a core of Au-As-Mo anomalism, which coincides with the centre of the resistive ZTEM anomaly. At year end, further work remains to be done on Vuda before diamond drill locations can be reasonably established.

Cakaudrove (SPL1493)
This area, on Vanua Levu, was identified with the initial ZTEM survey and was re-interpreted using the Mira 3D inversion. A resistive body similar to Sabeto was identified, with a conductive body immediately to the north, possibly representing a conductive shell surrounding a porphyry intrusion.

Other Prospects
Field visits were made to the other Company prospects in order to plan future field work.

4 Financial Position

The net assets of the consolidated group have decreased to $9,105,039 at 31 December 2011 from $10,146,769 at 31 December 2010 as a result of the following factors:

- **Share Purchase Plan Underwriting**

  On 24th June 2010 the Company initiated a Share Purchase Plan in which each existing eligible Geopacific Shareholder was able to purchase up to $15,000 worth of shares at 60 cents per share, free of brokerage and commissions. The shortfall of 544,834 shares was underwritten by two of the company's directors, Tim Biggs and Charles Bass. This raised $326,900

- **Exercise of Options**

  1,275,672 options expiring 16 December 2011 were exercised at an exercise price of 30 cents per share raising $382,702.

- **Capitalised Exploration Expenditure**

  Capitalised mineral exploration and evaluation expenditure carried forward was $7,133,974 (2010 $7,547,611). Due to the unsuccessful application for the Mt Kasi tenements and the decision to relinquish the Nadi South tenement, $1,275,080 was written off exploration expenditure.

5 Dividends

The Directors do not recommend the payment of a dividend.

No dividends have been paid or declared since the end of the previous year.

6 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.

7 Events Subsequent to Reporting Date

Bonus issue of options

On 4 February 2012 18,927,269 bonus options were issued to shareholders on the basis of one new option for every two shares held. The exercise price is 35 cents with an expiry date of 19 January 2013. The options are listed on ASX (Code GPRO).

Share placement

On 17 February the company announced a share placement agreement to raise $1,200,000 through the issue of up to 5,461,364 ordinary shares at 22 cents per share to institutional and sophisticated investors.

On 2 March 2012 the company announced the placement of the first tranche of 3,000,000 ordinary shares and 1,500,000 listed options under the share placement agreement.

The second tranche of 2,461,364 ordinary shares and 1,230,682 listed options will be issued following approval at an Extraordinary General Meeting to be held on 2 April 2012.

Other matters

No other matter or circumstance has arisen since 31 December 2011 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.

8 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		Indirect	
	Shares	Options	Shares	Options
R J Fountain	4,000	2,000	62,000	31,000
I N A Simpson	718,539	859,270	36,380	18,190
R H Probert (Alternate)	647,545	323,773	Nil	Nil
C B Bass (note)	Nil	Nil	2,815,753	1,407,877
S T Biggs	Nil	Nil	5,597,417	2,798,709

Note – The notice of meeting for the Extraordinary General Meeting to be held on 2 April 2012 contains resolutions which, if passed, will grant Mr C B Bass a further 1,136,364 ordinary shares and 568,182 listed options under the terms of a share placement announced on 17 February 2012.

In addition, the EGM will also consider a resolution to grant 2,000,000 options at an exercise price of 30 cents and an expiry date of 16 February 2015 to Mr Bass.

9 Directors' Meetings

During the year ended 31 December 2011 a total of five Directors' Meetings and two Audit Committee Meetings were held. Directors' attendance record is tabulated below.

Record of Directors' Attendance at Meetings

		Directors Meetings		**Audit Committee Meetings**	
Director	**Service**	**Attended ***	**Eligible to Attend**	**Attended ***	**Eligible to Attend**
S T Biggs	All year	5	5	-	-
I J Pringle	*Resigned 19.9.2011*	5	5	-	-
C B Bass	All year	4	5	2	2
R J Fountain	All year	5	5	2	2
I N A Simpson	All year	5	5	2	2
R H Probert (alternate to I. Simpson)	All year	5	5	-	-

* Either in person, or by electronic means.

The Board of Directors takes ultimate responsibility for corporate governance including the functions of establishing compensation arrangements of the Executive 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.

10 Likely Developments, Prospects and Business Strategies

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

11 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.

12 Share Options

There were 2,410,000 options over unissued shares unexercised at 31 December 2011 (2010 – 9,152,106).

Issues in current year

500,000 options exercisable at 30 cents and expiring on 30th September 2014 were issued to Steven Whitehead on 30th September 2011.

On 19th December 2011 1,275,672 options expiring on that date were exercised at an issue price of 30 cents raising $382,702. The 5,966,434 options which remained unexercised lapsed.

Issues since the end of the financial year

18,927,269 bonus options exercisable at 35 cents and expiring on 19th January 2013 were issued to existing shareholders on 3rd February 2012.

On 2 March 2012 the company announced the placement of the first tranche of 1,500,000 listed options under the share placement agreement.

The second tranche of 1,230,682 listed options will be issued following approval at an Extraordinary General Meeting to be held on 2 April 2012.

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 Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 17 and forms part of the Directors' report for the financial year ended 31 December 2011.

15 Auditor

KS Black & Co was appointed as auditor on 22 September 2009 and continues in office in accordance with section 327 of the *Corporations Act 2001.*

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	
	2011	2010
Assurance services	**$**	$
1. Audit services		
KS Black & Co Australian firm:		
Audit of the financial report and other audit work under the *Corporations Act 2001*		
- Current year	**34,450**	**30,600**
Total remuneration for audit services	**34,450**	**30,600**

16 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.

There were no non-audit services provided during the year.

17 Remuneration Report (Audited)

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.

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 2011 and will be reviewed in September 2012.

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.

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 23.

B Details 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 include the Directors and the Exploration Manager.

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

2011	Short-term benefits		Post-employment benefits		Share-based payments	
Name	Directors' Fees $	Consulting Fees $	Super-annuation $	Termination Payments (note 2) $	Options $	Total $
Non-executive Directors						
S T Biggs	-	-	-	-	-	-
I N A Simpson	42,000	-	-	-	-	42,000
R J Fountain	42,000	25,000	-	-	-	67,000
R H Probert (alt. to I. Simpson)	42,000	-	-	-	-	42,000
Sub-total non-executive Directors	**126,000**	**25,000**	**-**	**-**	**-**	**151,000**
Executive Directors						
I J Pringle (resigned 15.9.11)	-	75,000	-	-	-	75,000
C B Bass	-	-	-	-	-	-
Total directors	**126,000**	**100,000**	**-**	**-**	**-**	**226,000**
Other Key management Personnel						
S Whitehead	**-**	**76,367**	**-**	**-**	**7,046**	**83,413**
Totals	**126,000**	**176,367**	**-**	**-**	**7,046**	**309,413**

2010

Non-executive Directors						
C B Bass	-	-	-	-	-	-
S T Biggs	-	-	-	-	-	-
I N A Simpson	-	-	-	-	-	-
R J Fountain	6,250	-	-	-	-	6,250
R H Probert	-	-	-	-	-	-
C K McCabe (alt. to I. Simpson)	-	-	-	-	-	-
Sub-total non-executive Directors	**6,250**	**-**	**-**	**-**	**-**	**6,250**
Executive Directors						
I J Pringle	-	170,796	-	-	-	170,796
W A Brook (note 1)	-	-	-	60,000	-	60,000
Totals	**6,250**	**170,796**	**-**	**60,000**	**-**	**237,046**

Note 1 Mr Brook was paid by Geopacific Ltd.

Note 2 A termination payment of A$60,000 was made to Mr Brook on his retirement as a director.

C Service agreements

(i) 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.

D Share-based compensation

Options

Options are granted on the recommendation of the Directors.

Options are granted for no consideration.

Options granted carry no dividend or voting rights.

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

500,000 options over ordinary shares in the Company were provided as remuneration to directors of Geopacific Resources and the key management personnel of the Group as set out below. Further information on the options is set out in notes 15 and 21 to the financial statements.

The notice of meeting for the Extraordinary General Meeting to be held on 2 April 2012 contains resolutions which, if passed, will grant Mr C B Bass a further 1,136,364 ordinary shares and 568,182 listed options under the terms of a share placement announced on 17 February 2012.

In addition, the EGM will also consider a resolution to grant 2,000,000 options at an exercise price of 30 cents and an expiry date of 16 February 2015 to Mr Bass.

Directors of Geopacific Resources NL	**Number of options granted during the year**		**Number of options vested during the year**	
Name	**2011**	2010	**2011**	2010
I J Pringle	-	-	-	-
I N A Simpson	-		-	-
R J Fountain	-	-	-	-
R H Probert	-	-	-	-
Other Key management Personnel				
S Whitehead	500,000	-	-	-

The assessed fair value at grant date of options granted is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables below. 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.

D Share-based compensation (continued)

Options (continued)

(i) Options issued to Mr Steven Whitehead

The options issued to Mr Steven Whitehead vest on the first, second and third anniversaries of the commencement of his engagement.

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	Number of Options	Exercise price	Value per option at grant date	Date vesting
30 September 2011	30 September 2014	83,333	$0.30	$0.1029	1 July 2012
30 September 2011	30 September 2014	83,333	$0.30	$0.1029	1 July 2013
30 September 2011	30 September 2014	83,334	$0.30	$0.1029	1 July 2014
30 September 2011	30 September 2014	250,000	$0.30	$0.1029	N/A*

* Options vest after successful exploration results as a consequence of his direct management of the exploration efforts, such success deemed in the Board's discretion.

Share options granted to Directors and other key management personnel

Options over unissued ordinary shares of the Company granted during or since the end of the financial year to the Directors and other key management personnel of the Company as part of their remuneration were as follows:

Directors of Geopacific Resources NL **Name**	**A** **Remuneration consisting of options**	**B** **Value at vesting date $**	**C** **Value at exercise date $**	**D** **Value at lapse date $**	**E** **Total of columns B-D $**
C B Bass	-	-	-	-	-
S T Biggs	-	-	-	-	-
I J Pringle	-	-	-	-	-
I N A Simpson	-	-	-	-	-
R J Fountain	-	-	-	-	-
R H Probert	-	-	-	-	-
Other Key management Personnel					
S Whitehead	7,046	-	-	-	-

A = That portion 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 Payments* 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.

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.

Shares issued on the exercise of options

No ordinary shares of the Company were issued during the year ended 31 December 2011 on the exercise of options granted to key management personnel under the Employee Share Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

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

C B Bass
The Executive Director
Perth, Australia
Dated: *27 March 2012*

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.

ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

AUDITOR'S INDEPENDENCE DECLARATION

Declaration of independence to the Directors of Geopacific Resources NL and Controlled Entities

As lead auditor of Geopacific Resources NL for the period ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Geopacific Resources NL and the entities it controlled during the period.

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney, 27 March 2012

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350 Kent Street
Sydney NSW 2000

K.S. Black & Co.
ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GEOPACIFIC RESOURCES NL

Report on the Financial Report

We have audited the accompanying financial report of Geopacific Resources NL (the company) and Geopacific Resources NL and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accompanying policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the Directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of Directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124: Related Party Disclosures, under the heading "Remuneration Report" in the Directors' report and not in the financial report.

Director's Responsibility for the Financial Report and the Remuneration Report contained in the Directors' Report

The Directors of Geopacific Resources NL are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report comprising the financial statement and notes, complies with IFRS.

The Directors of the company are also responsible for the remuneration report contained in the Directors' Report in accordance with s300A of the Corporations Act 2001.

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GEOPACIFIC RESOURCES NL (Cont'd)

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Geopacific Resources NL would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of Geopacific Resources NL and Geopacific Resources NL and Controlled Entities is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2011 and of their performance for the period ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the company and consolidated entity also comply with IFRS as disclosed in note 1.

Auditor's opinion on the Remuneration Report contained in the Directors' Report.

In our opinion, the remuneration disclosures that are contained on pages 11 to 16 of the Directors' Report comply with S300A of the Corporations Act 2001.

KS Black & Co
Chartered Accountants

Ajmat

Faizal Ajmat
Partner

Sydney, 27 March 2012

DIRECTORS' DECLARATION

The Directors of Geopacific Resources NL declare that:

1 the financial statements and notes, set out on pages 21 to 63 are in accordance with the Corporations Act 2001, including:

a. comply with Accounting Standards, which, as stated in Accounting Policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

b. give a true and fair view of the financial position as at 31 December 2011 and of the performance for the year ended on that date of the company and consolidated group;

2 the Executive Director and Chief Finance Officer have each declared that:

a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;

b. the financial statements and notes for the financial year comply with Accounting Standards; and

c. the financial statements and notes for the financial year give a true and fair view;

3 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors:

C B Bass
The Executive Director

Perth, Australia
Dated: *27 March 2012*

GEOPACIFIC RESOURCES NL
and Controlled Entities

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Consolidated 2011 $	2010 $
Revenue from continuing operations	5	**93,533**	136,124
Administration expenses		**(198,329)**	(280,337)
Consultancy expense	6	**(77,556)**	(144,447)
Depreciation expense	6	**(27,176)**	(13,471)
Employee benefits expense	6	**(144,488)**	(69,775)
Exploration expenditure written off		**(1,275,080)**	-
Occupancy Expenses		**(46,367)**	(40,660)
Other expenses		**(47,835)**	(20,316)
		(1,816,831)	(569,006)
(Loss) profit before income tax		**(1,723,299)**	(432,882)
Income tax expense	8	**-**	-
(Loss) profit for the year attributable to members of the parent company		**(1,723,299)**	(432,882)
Other comprehensive income:			
Exchange differences on translating foreign controlled entities		**(35,079)**	(486,029)
Other comprehensive income for the year, net of tax		**(35,079)**	(486,029)
Total comprehensive income for the year attributable to members of the parent entity		**(1,758,378)**	(918,911)
Basic loss per share	24	**(4.87)**	(1.33)
Diluted loss per share	24	**(4.87)**	(1.33)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	Consolidated 2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	9	**1,687,134**	2,173,259
Trade and other receivables	10	**194,754**	358,460
TOTAL CURRENT ASSETS		**1,881,888**	2,531,719
NON-CURRENT ASSETS			
Exploration expenditure	11	**7,133,975**	7,547,611
Property, plant and equipment	12	**154,217**	113,052
TOTAL NON-CURRENT ASSETS		**7,288,192**	7,660,663
TOTAL ASSETS		**9,170,080**	10,192,382
CURRENT LIABILITIES			
Trade and other payables	13	**65,741**	45,613
TOTAL CURRENT LIABILITIES		**65,741**	45,613
TOTAL LIABILITIES		**65,741**	45,613
NET ASSETS		**9,105,039**	10,146,769
EQUITY			
Issued capital	14	**15,925,556**	15,215,954
Reserves	16	**89,441**	117,474
Accumulated losses	17	**(6,909,958)**	(5,186,659)
TOTAL EQUITY		**9,105,039**	10,146,769

The above statement of financial position should be read in conjunction with the accompanying notes.

GEOPACIFIC RESOURCES NL
and Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDING 31 DECEMBER 2011

Consolidated	**Issued Capital**	**Forfeited Shares Reserve**	**Share Based Payments Reserve**	**Foreign Currency Translation Reserve**	**Accumulated Losses**	**Total Equity**
	$	**$**	**$**	**$**	**$**	**$**
At 1 January 2010	11,976,191	4,623	429,217	169,663	(4,753,777)	7,825,917
Transactions with owners in their capacity as owners						
Shares issued during the year	3,453,100	-	-	-	-	3,453,100
Capital raising costs	(213,337)	-	-	-	-	(213,336)
	15,215,954	4,623	429,217	169,663	(4,753,777)	11,065,680
Comprehensive loss for the period	-	-	-	(486,029)	(432,882)	(918,911)
At 31 December 2010	15,215,954	4,623	429,217	(316,366)	(5,186,659)	10,146,769
At 1 January 2011	**15,215,954**	**4,623**	**429,217**	**(316,366)**	**(5,186,659)**	**10,146,769**
Transactions with owners in their capacity as owners						
Shares issued during the year	**709,602**	**-**	**-**	**-**	**-**	**709,602**
Share based payments	**-**	**-**	**7,046**	**-**	**-**	**7,046**
	15,925,556	**4,623**	**436,263**	**(316,366)**	**(5,186,659)**	**10,864,317**
Comprehensive loss for the period	**-**	**-**	**-**	**(35,079)**	**(1,723,299)**	**(1,758,378)**
At 31 December 2011	**15,925,556**	**4,623**	**436,263**	**(351,445)**	**(6,909,958)**	**9,105,039**

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

GEOPACIFIC RESOURCES NL
and Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 31 DECEMBER 2011

	Note	Consolidated 2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments in the course of operations		**(323,695)**	(925,177)
Interest received		**89,559**	99,692
Other income		**3,973**	15,668
Net Cash used in Operating Activities	28(c)	**(230,163)**	(809,817)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(68,230)**	(109,440)
Proceeds from sale of plant and equipment		**-**	7,596
Exploration expenditure		**(900,051)**	(2,461,846)
Net Cash used in Investing Activities		**(968,281)**	(2,563,690)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		**709,602**	3,453,100
Share issue costs		**-**	(213,337)
Net Cash from Financing Activities		**709,602**	3,239,763
NET (DECREASE)/INCREASE IN CASH HELD		**(488,842)**	(133,744)
Effect of exchange rates on cash held in foreign currencies		**(3,417)**	(26,240)
Cash and Cash Equivalents at the Beginning of the Financial Year		2,173,259	2,333,243
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	28(a)	**1,687,834**	2,173,259

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

Contents of the notes to the financial statements

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. These consolidated financial statements and notes represent those of Geopacific Resources NL and its controlled entities (the "Group").

The separate financial statements of the parent entity, Geopacific Resources NL, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001 effective as at 28 June 2011. A summary of financial information of Geopacific Resources NL as an individual entity is contained in Note 4.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and the notes thereto also comply with International Financial Reporting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Changes to accounting policies

Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.
The adoption of these Standards has not impacted the recognition, measurement and disclosure of any transactions.

Significant accounting policies

Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

(a) Cash and cash equivalents

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

(b) 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 from the proceeds.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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.

(ii) 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 year end, the Company revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

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

(d) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

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

Derecognition

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

Classification and subsequent measurement

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

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

(iv) Available-for-sale securities

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities

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

Fair values

Fair values are determined by reference to market bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities including recent arm's length market transactions, reference to the current market value of similar instruments and option pricing models.

Impairment

At each reporting date the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the financial instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(f) Foreign currency transactions and balances

(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 statement of comprehensive income.

(iii) Group companies

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency transactions and balances (continued)

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of comprehensive income. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.
Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.
Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(h) 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.

(i) 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 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Loss per share

(i) Basic loss per share

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

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after 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.

(k) Mineral Tenements and Deferred Mineral 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 Statement of financial position 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 Statement of Comprehensive Income.

(l) 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 statement of comprehensive income 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 year end.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Plant and equipment (continued)

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(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. 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.

(m) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Geopacific Resources NL ("the Company") as at 31 December 2011 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.

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.

A list of subsidiaries is contained in note 20.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Principles of consolidation (continued)

Business combinations (continued)

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the consolidated statement of comprehensive income.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). The Group determines which method to adopt for each acquisition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(m) Principles of consolidation (continued)

Goodwill (continued)

Under the full goodwill method, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

(n) 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).

(o) Trade receivables

Trade receivables are recognised initially at fair value.

(p) 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.

New accounting standards and UIG interpretations for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods.

The Group has decided against early adoption of these standards.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
New accounting standards and UIG interpretations for application in future periods (continued)

A discussion of those future requirements and their impact on the Group follows:

Operative date 1 July 2011 with an application date for the group of 1 January 2012.

AASB	Summary	Impact on group
AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.	This Standard will only affect certain disclosures relating to financial instruments and is not expected to significantly impact the Group.
AASB 1054: Australian Additional Disclosures and AASB 2011–1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements. The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards.	These Standards are not expected to significantly impact the Group.

Operative date 1 January 2012 with an application date for the group of 1 January 2012.

AASB	Summary	Impact on group
AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121 into AASB 112. Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.	The amendments are not expected to significantly impact the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
New accounting standards and UIG interpretations for application in future periods (continued)

Operative date 1 July 2012 with an application date for the group of 1 January 2013.

AASB	Summary	Impact on group
AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.	This Standard affects presentation only and is not expected to significantly impact the Group.

Operative date 1 January 2013 with an application date for the group of 1 January 2013.

AASB	Summary	Impact on group
AASB 10: Consolidated Financial Statements,	AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees.	The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.
AASB 11: Joint Arrangements,	AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).	The amendments are not expected to significantly impact the Group.
AASB 12: Disclosure of Interests in Other Entities,	AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities.	This Standard will only affect disclosures and is not expected to significantly impact the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
New accounting standards and UIG interpretations for application in future periods (continued)

Operative date 1 January 2013 with an application date for the group of 1 January 2013.

AASB	Summary	Impact on group
AASB 127: Separate Financial Statements (August 2011),	To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued.	The amendments are not expected to significantly impact the Group.
AASB 128: Investments in Associates and Joint Ventures (August 2011)	To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued.	The amendments are not expected to significantly impact the Group.
AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued.	The amendments are not expected to significantly impact the Group.
AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements. AASB 13 requires: - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.	These Standards are not expected to significantly impact the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
New accounting standards and UIG interpretations for application in future periods (continued)

Operative date 1 January 2013 with an application date for the group of 1 January 2013.

AASB	Summary	Impact on group
AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14]	These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including: - removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability (asset) when they occur; - disaggregation of changes in a net defined benefit liability (asset) into service cost (including past service cost and gains and losses on non-routine settlements and curtailments), net interest expense (interest based on the net defined benefit liability (asset) using the discount rate applicable to post-employment benefits) and remeasurements (comprising actuarial gains and losses, return on plan assets less the "revenue" component of the net interest expense, and any change in the limit on a defined benefit asset). In addition, AASB 119 (September 2011) requires recognition of: - service cost and net interest expense in profit or loss; and - remeasurements in OCI; and - introduction of enhanced disclosure requirements to facilitate the provision of more useful information in relation to an entity's defined benefit plans. AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of: (i) for an offer that may be withdrawn – when the employee accepts; (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.	The Group has not yet been able to reasonably estimate the impact of these changes on its financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
New accounting standards and UIG interpretations for application in future periods (continued)

Operative date 1 July 2013 with an application date for the group of 1 January 2014.

AASB	Summary	Impact on group
AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9	The changes made to accounting requirements include: - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value; - simplifying the requirements for embedded derivatives; - removing the tainting rules associated with held-to-maturity assets; - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost; - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on the objective of the entity's business model for managing the financial assets and the characteristics of the contractual cash flows.	These Standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined potential impact on the financial statements.
AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	This Standard establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements: - Tier 1: Australian Accounting Standards; and - Tier 2: Australian Accounting Standards — Reduced Disclosure Requirements.	This Standard deems the Group to be a Tier 1 entity and hence there is no accounting impact to be considered going forward.

The Group does not anticipate the early adoption of any of the above reporting requirements.

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.

(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 changes to cash flows due to changes in interest rates.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

Key judgments

Exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $7,133,975.

4. Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.	2011 $	2010 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	**1,691,975**	2,306,160
Non current assets	**6,319,162**	6.724.889
TOTAL ASSETS	**8,011,137**	9,031,049
LIABILITIES		
Current liabilities	**57,402**	37,349
TOTAL LIABILITIES	**57,402**	37,349
EQUITY		
Issued capital	**15,925,556**	15,215,954
Forfeited shares reserve	**4,623**	4,623
Share based payments reserve	**436,263**	429,217
Accumulated losses	**(8,412,707)**	(6,656,094)
TOTAL EQUITY	**7,953,735**	8,993,701
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	**(1,756,614)**	(892,198)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(1,756,614)**	(892,198)

Guarantees

Geopacific Resources NL has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiary.

Contingent liabilities

At 31 December 2011, Geopacific Resources NL had no contingent liabilities.

Contractual commitments

At 31 December 2011, Geopacific Resources NL had not entered into any contractual commitments for the acquisition of property, plant and equipment.

	Consolidated	
	2011	**2010**
5 REVENUE	**$**	**$**
Interest income – other persons	**89,559**	116,150
Management Fees Raki Raki Joint Venture	**2,691**	14,084
Gain on disposal of plant and equipment	**-**	4,306
Other income	**1,283**	1,584
	93,533	136,124

6 EXPENSES

Consultancy expenses		
Consultants Fees	**213,347**	304,941
Less allocated to exploration expenditure	**(135,791)**	(160,494)
	77,556	144,447
Employee benefits expense		
Wages and salaries	**119,528**	133,957
Directors Fees	**126,000**	-
Termination payments	**-**	60,000
Share based payments	**7,046**	-
	252,574	193,597
Less allocated to exploration expenditure	**(108,086)**	(123,822)
	144,488	69,775
Depreciation	**27,176**	13,471

7 REMUNERATION OF AUDITORS
Assurance services
A. Audit services

KS Black & Co Australian firm:		
Audit of the financial report and other audit work under the *Corporations Act 2001*		
- Current year	**-**	-
- Prior year	**24,950**	21,650
Review of the half-year financial report	**9,500**	8,950
Total remuneration for audit services	**34,450**	30,600

8 INCOME TAX

	Consolidated 2011 $	Consolidated 2010 $
(a) Income tax expense		
Prima facie income tax benefit calculated at 30% on the loss / (profit) from ordinary activities		
Loss from ordinary activities	**(1,723,229)**	(432,882)
Income tax expense calculated at 30% of operating loss	**(516,990)**	(129,865)
Decrease in income tax benefit due to:		
Tax benefit on losses not recognised	**516,990**	129,865
Income tax expense	-	-

(b) Deferred tax balances not recognised

Deferred tax balances not recognised	Statement of Financial Position 2011 $	Statement of Comprehensive Income 2011 $
Calculated at 30% not brought to account as assets:		
Deferred tax assets		
Accruals	4,500	-
Capital raising costs capitalised	57,953	(29,739)
Revenue tax losses available for offset against future tax income	2,329,930	450.932
Deferred tax assets not recognised	-	(421,193)
Net deferred tax asset (liability) not recognised	**2,392,383**	**-**

Deferred tax balances not recognised	Statement of Financial Position 2010 $	Statement of Comprehensive Income 2010 $
Calculated at 30% not brought to account as assets:		
Deferred tax assets		
Accruals	4,500	(750)
Capital raising costs capitalised	87,692	6,958
Revenue tax losses available for offset against future tax income	1,878,998	1,397,791
Deferred tax assets not recognised	-	(1,403,999)
Net deferred tax asset (liability) not recognised	1,966,690	**-**

The taxation benefits of revenue tax losses and temporary differences not brought to account will only be obtained if:

(i) the company and the consolidated entity derive further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;

(ii) the company and the consolidated entity continue to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the company's and the consolidated entity's ability in realising the benefit from the deductions.

		Consolidated	
		2011	**2010**
		$	**$**
9	**CASH AND CASH EQUIVALENTS**		
	Current		
	Cash at bank	**1,687,134**	2,173,259
10	**TRADE AND OTHER RECEIVABLES**		
	Current		
	Security deposits	**19,444**	19,328
	Sundry debtors	**41,141**	174,834
	Interest receivable	**-**	16,458
	GST receivable	**134,169**	147,840
		194,754	358,460
11	**EXPLORATION EXPENDITURE**		
	Non-Current		
	Capitalised exploration expenditure carried forward	**7,133,975**	7,547,611
	Movement during year		
	Carrying value – beginning of year	**7,547,611**	5,545,554
	Additions	**900,051**	2,461,848
	Exchange rate variations	**(11,817)**	(319,948)
	Recoveries from joint venture parties	**(26,790)**	(139,843)
	Amounts written off	**(1,275,080)**	-
	Carrying value – end of year	**7,133,975**	7,547,611

During the year the Company expensed previously capitalized exploration expenditure amounting to $1,275,080 (2010: nil) on the relinquishment of the Nadi South tenement SPL 1434 and the unsuccessful applications for the Mt Kasi tenements.

12	**PROPERTY, PLANT AND EQUIPMENT**		
	Non-Current		
	Plant, vehicles and equipment		
	At Cost	**201,297**	133,298
	Less: Provision for depreciation	**(47,080)**	(20,246)
		154,217	113,052
	Movement		
	Carrying value – beginning of year	**113,052**	20,373
	Additions	**68,230**	109,440
	Disposals	**-**	(2,800)
	Depreciation (included in profit and loss)	**(27,176)**	(13,471)
	Exchange rate variations	**111**	(490)
	Carrying value – end of year	**154,217**	113,052
13	**TRADE AND OTHER PAYABLES**		
	Current		
	Trade creditors and accruals	**65,741**	45,613

	Consolidated	
	2011	**2010**
	$	**$**

14 ISSUED CAPITAL

	2011 $	2010 $
Issued Capital	**15,925,556**	15,215,954

Reconciliation of movements during the period:

	2011		2010	
	Shares issued	**$**	Shares issued	$
Balance as at 1 January	**36,033,957**	**15,215,954**	144,893,717	11,976,191
Shares issued pursuant to a placement at 6 cents (2010 - 3 cents)			13,000,000	780,000
			157,893,717	
Share consolidation (1 for 5)			(126,314,929)	
			31,578,788	
Shares issued on exercise of options at 30 cents per share	**1,275,672**	**382,702**	-	-
Shares issued pursuant to shortfall underwriting agreement in regard to the 2010 Share Purchase Plan at 60 cents	**544,834**	**326,900**	-	-
Shares issued under Share Purchase Plan at 60 cents (2010 - 4 cents)	**-**	**-**	288,500	173,100
Shares issued pursuant to a placement at 6 cents	**-**	**-**	4,166,669	2,500,000
Less share issue costs		**-**		(213,337)
Balance as at 31 December	**37,854,463**	**15,925,556**	36,033,957	15,215,954

15 OPTIONS

Consolidated 2011

Issue Date	**Expiry Date**	**Exercise Price (c)**	**Number on issue 31 December 2010**	**Granted during year**	**Lapsed during year**	**Exercised during year**	**Number on issue 31 December 2011**
23.12.2009	16.12.2011	$0.30	7,242,106	-	(5,966,434)	**(1,275,672)**	-
08.05.2006	08.05.2012	$1.00	100,000	-	-	-	100,000
08.05.2006	08.05.2013	$1.25	100,000	-	-	-	100,000
18.09.2009	01.08.2013	$0.50	610,000	-	-	-	610,000
08.05.2006	08.05.2014	$1.50	100,000	-	-	-	100,000
30.09.2011	30.09.2014	$0.30	-	500,000	-	-	500,000
06.06.2009	(a)	$2.50	800,000	-	-	-	800,000
06.06.2009	(b)	$5.00	200,000	-	-	-	200,000
			9,152,106	-	-	-	2,410,000

15 OPTIONS (CONTINUED)

(a) The Options are exercisable in whole or in part, not later than five years after the defining on Faddy's Gold Deposit of a JORC compliant ore reserve of over 200,000 ounces of contained gold.

(b) The Options are exercisable in whole or in part, not later than ten years after the defining on Faddy's Gold Deposit of a JORC compliant ore reserve of over 1,000,000 ounces of contained gold.

(c) The notice of meeting for the Extraordinary General Meeting to be held on 2 April 2012 contains resolutions which, if passed, will grant Mr C B Bass a further 1,136,364 ordinary shares and 568,182 listed options under the terms of a share placement announced on 17 February 2012.

(d) In addition, the EGM will also consider a resolution to grant 2,000,000 options at an exercise price of 30 cents and an expiry date of 16 February 2015

16 RESERVES

	Consolidated	
(a) Reserves	**2011**	**2010**
	$	**$**
Forfeited share reserve	**4,623**	4,623
Foreign currency translation reserve	**(351,445)**	(316,366)
Share-based payments reserve	**436,263**	429,217
	89,441	117,474
(b) Movements		
Share-based payments reserve		
Balance 1 January	**429,217**	429,217
Option expense	**7,046**	-
Balance 31 December	**436,263**	429,217
Foreign currency translation reserve		
Balance 1 January	**(316,366)**	169,663
Exchange gains (losses) during year	**(35,079)**	(486,029)
Balance 31 December	**(351,445)**	(316,366)
Forfeited share reserve		
Balance 1 January	**4,623**	4,623
Balance 31 December	**4,623**	4,623
Total reserves	**89,441**	117,474

(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 and the value of options issued on acquisition of Millennium Mining (Fiji) Ltd and the value of options granted pursuant to the Employee Share Option Plan.

Foreign currency translation reserve
The foreign currency translation reserve records unrealised exchange gains and losses on translation of subsidiaries accounts 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.

17 ACCUMULATED LOSSES

	Consolidated 2011 $	2010 $
Accumulated losses at the beginning of the year	**(5,186,659)**	(4,753,777)
Profit (loss) for the year	**(1,723,299)**	(432,882)
Other comprehensive income (loss) for the year	**-**	-
Accumulated losses at the end of the year	**(6,909,958)**	(5,186,659)

18 CONTINGENT LIABILITIES

There are no contingent liabilities.

19 COMMITMENTS

(a) 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 expenditure proposals for 2012 are being considered.

Tenement	Renewal Application lodged to	Expenditure $F	Comments
SPL1216	31 December, 2012	600,000	
SPL 1231/1373	31 December, 2012	200,000	50% to be met by JV partner Imperial Mining (Fiji) Ltd
SPL 1361	31 December, 2012	800,000	
SPL 1368	31 December, 2012	800,000	
SPL 1377	31 December, 2012	400,000	
SPL 1415	Kavukavu Project	50,000	
SPL 1436	16 March 2012	50,000	50% to be met by JV partner Imperial Mining (Fiji) Ltd
SPL 1493	31 December, 2012	80,000	

(b) Option acquisition commitments

The company has entered into an agreement with a landowner to acquire the following tenements
- SP1361 Sabeto for FJD116,555 plus interest, to be paid by payments of FJD15,000 per quarter.
- SP1368 Vuda for AUD353,669 plus interest, to be paid by payments of AUD40,000 per quarter.

	Consolidated 2011 $	2010 $
Payable not later than one year	**151,756**	191,805
Payable later than one year, but not later than two years	**71,893**	223,649
	223,649	415,454

20 PARTICULARS RELATING TO CONTROLLED ENTITIES

	Class of Share	Holding Company 2011 %	Holding Company 2010 %	Amount of Investment 2011 $	Amount of Investment 2010 $
Beta Limited	Ordinary	100	100	**15,372**	15,372
Geopacific Limited	Ordinary	100	100	**1,866,993**	1,866,993
Millennium Mining (Fiji) Limited	Ordinary	100	100	**684,907**	684,907
				2,567,272	2,567,272

Geopacific Limited, Beta Limited and Millennium Mining (Fiji) Limited are companies incorporated and carrying on business in Fiji.

21 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:

C B Bass
S T Biggs
R J Fountain
I N A Simpson
R H Probert (alternate for I N A Simpson)
I J Pringle (resigned 19 September 2011)

(b) Other key management personnel

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

The Acting Exploration Manager, S Whitehead, also meets the definition of key management personnel.

(c) Key management personnel compensation

	Consolidated 2011 $	Consolidated 2010 $
Short-term employee benefits	**302,367**	177,046
Post-employment benefits	**-**	58,046
Share-based payments	**7,046**	-
	309,413	235,092

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 the remuneration report included in the Directors Report.

(d) 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 the remuneration report included in the Directors Report.

21 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity instrument disclosures relating to key management personnel (continued)

(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.

2011 Name	Balance at the start of the year(1)	Granted during the year as compensation	Exercised during the year	**Lapsed during the year**	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Geopacific Resources Ltd						
C B Bass	833,334	-	(833,334)	-	-	-
S T Biggs	2,000,000	-	(300,000)	(1,700,000)	-	-
R J Fountain	4,000	-	-	(4,000)	-	-
R H Probert	5,800	-	-	(5,800)	-	-
I N A Simpson	562,845	-	(60,000)	(2,845)	500,000	500,000
Other Key management Personnel						
S Whitehead	-	500,000	-	-	500,000	-

The notice of meeting for the Extraordinary General Meeting to be held on 2 April 2012 contains resolutions which, if passed, will grant Mr C B Bass a further 1,136,364 ordinary shares and 568,182 listed options under the terms of a share placement announced on 17 February 2012.

In addition, the EGM will also consider a resolution to grant 2,000,000 options at an exercise price of 30 cents and an expiry date of 16 February 2015.

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

2010 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Geopacific Resources Ltd						
I J Pringle	333,600	-	-	-	333,600	333,600
C B Bass	833,334	-	-	-	833,334	833,334
S T Biggs	2,000,000	-	-	-	2,000,000	2,000,000
R J Fountain	4,000	-	-	-	4,000	4,000
R H Probert	5,800	-	-	-	5,800	5,800
I N A Simpson	562,845	-	-	-	562,845	562,845

21 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity instrument disclosures relating to key management personnel (continued)

(iii) Share holdings

2011 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
I N A Simpson	694,919	60,000	-	754,919
R J Fountain	66,000	-	-	66,000
R H Probert	647,545	-	-	647.545
C B Bass	1,680,002	833,334	302,417	2,815,573
S T Biggs	5,025,000	300,000	272,417	5,597,417
Other Key management Personnel				
S Whitehead	-	-	-	-

2010 Name	Balance at the start of the year	Received during the year on the exercise of options	Share consolidation (1 for 5)	Other changes during the year	Balance at the end of the year
I J Pringle	869,250	-	(695,400)	-	173,850
I N A Simpson	6,349,595	-	(2,679,676)	(2,975,000)	694,919
R J Fountain	80,000	-	(64,000)	50,000	66,000
R H Probert	3,327,725	-	(2,590,180)	-	647,545
C B Bass	6,925,010	-	(5,515,008)	270,000	1,680,002
S T Biggs	24,957,115	-	(19,965,692)	33,577	5,025,000

22 RELATED PARTY TRANSACTIONS

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

(a) Transactions with directors and associates of directors

	Consolidated 2011 $	**Consolidated 2010 $**
The Bass Group Pty Ltd, a Company in which Mr Bass is a Director and shareholder, is utilised to provide services in relation to Geopacific Resources NL.		
Office Rental	**13,144**	-
Dr Ian Pringle provided office services in relation to Geopacific Resources NL.		
Office Rental	**9,018**	19,725

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with controlled entities

	2011	2010
	$	$
INTERCOMPANY LOANS		
The Holding Company, Geopacific Resources NL, advanced funds to controlled entities for exploration and administration expenditure incurred on the company's tenements.		
- Geopacific Limited	**433,192**	1,592,470
- Beta Limited	**2,688**	2,470
- Millennium Mining (Fiji) Limited	**2,016**	2,470
INTERCOMPANY LOAN BALANCES		
The balance of loans advanced to controlled entities at the end of the year are:		
- Geopacific Limited	**4,425,545**	4,014,170
- Beta Limited	**1,818,290**	1,847,113
- Millennium Mining (Fiji) Limited	**1,328,940**	1,329,019

These balances are eliminated on consolidation.

23 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	$1.00	$0.4215	8 May 2007
8 May 2006	8 May 2013	$1.25	$0.3785	8 May 2008
8 May 2006	8 May 2014	$1.50	$0.3540	8 May 2009
30 September 2011	30 September 2014	$0.30	$0.1029	1 July 2012
30 September 2011	30 September 2014	$0.30	$0.1029	1 July 2013
30 September 2011	30 September 2014	$0.30	$0.1029	1 July 2014
30 September 2011	30 September 2014	$0.30	$0.1029	N/A*

* Options vest after successful exploration results as a consequence of his direct managemen Board's discretion.

23 SHARE-BASED PAYMENTS (CONTINUED)

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

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.81 years (2010 – 1.54 years).

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.

The fair value of the options granted to Steven Whitehead is deemed to represent the value of the services rendered.

The fair value of options granted was $51,454

These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Share price	$0.19	$0.19	$0.19	$0.19
Exercise price:	$0.30	$0.30	$0.30	$0.30
Expected exercise date	30/09/14	30/09/14	30/09/14	30/09/14
Expected share price volatility:	98.8%	98.8%	98.8%	98.8%
Risk-free interest rate:	4.20%	4.20%	4.20%	4.20%

Historical volatility of the company has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

24 LOSS PER SHARE

	Consolidated	
	2011	2010
(a) Basic and diluted loss per share	**Cents**	Cents
Loss attributable to the ordinary equity holders of the Company	**(4.87)**	(1.33)

(b) Reconciliation of loss used in calculating loss per share

	2011	2010
Basic and diluted loss per share	**$**	$
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	**(1,758,378)**	(432,882)

(c) Weighted average number of shares used as the denominator

	2011	2010
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share.	**36,079,978**	32,557,927

The options on issue as stated in note 15 have not been taken into account for dilution purposes as they are not considered to be dilutive due to the exercise prices being in excess of the current share price.

25 EVENTS OCCURRING AFTER THE YEAR END

Bonus issue of options

On 4 February 2012 18,927,269 bonus options were issued to shareholders on the basis of one new option for every two shares held. The exercise price is 35 cents with an expiry date of 19 January 2013. The options are listed on ASX (Code GPRO).

Share placement

On 17 February the company announced a share placement agreement to raise $1,200,000 through the issue of up to 5,461,364 ordinary shares at 22 cents per share to institutional and sophisticated investors.

On 2 March 2012 the company announced the placement of the first tranche of 3,000,000 ordinary shares and 1,500,000 listed options under the share placement agreement.

The second tranche of 2,461,364 ordinary shares will be issued following approval at an Extraordinary General Meeting to be held on 2 April 2012.

Other matters

No other matters or circumstances have arisen since 31 December 2011 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.

26 OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group is managed primarily on the basis of mineral exploration in Fiji and Head Office administration in Australia. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

26 OPERATING SEGMENTS (CONTINUED)

Basis of accounting for purposes of reporting by operating segments (continued)

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities;
- intangible assets;

(a) Operating and geographical segments

2011	**Head Office Australia**	**Exploration Fiji**	**Intersegment**	**Total**
Segment performance	**$**	**$**	**$**	**$**
Interest received	89,316	1,968	-	91,285
Raki Raki joint venture management fee	-	2,691	-	2,691
Other income	-	1,282	-	1,282
Total revenue from continuing operations	89,316	4,216	-	93,533
Segment net loss from continuing operations before tax	(1,291,461)	(1,425,904)	1,024,634	(1,692,731)
Reconciliation of segment result to group net profit/loss before tax:				
Amounts not included in segment result but reviewed by the Board:				
— depreciation and amortisation				(27,176)
— foreign currency gains/(losses)				(3,391)
Net loss before tax from continuing operations				**(1,723,299)**

26 FINANCIAL REPORTING BY SEGMENTS (CONTINUED)

(a) Operating and geographical segments(continued)

2011	Head Office Australia	Exploration Fiji	Intersegment	Total
	$	$	$	$
Segment Assets	9,960,780	8,261,614	(9,051,614)	9,170,080
Reconciliation of segment assets to group assets:				
Unallocated assets				-
Group assets				**9,170,080**
Segment Liabilities	57,402	9,059,953	(9,051,614)	65,741
Reconciliation of segment liabilities to group liabilities:				
Unallocated liabilities				-
Group liabilities				**65,741**

2010	Head Office Australia	Exploration Fiji	Intersegment	Total
Segment performance	$	$	$	$
Interest received	115,122	1,028	-	116,150
Raki Raki joint venture management fee	-	14,084	-	14,084
Gain on sale of plant and equipment		4,306		4,306
Other income	-	1,584	-	1,584
Total revenue from continuing operations	115,122	21,002	-	136,124
Segment net loss from continuing operations before tax	(339,939)	(149,910)	70,438	(419,411)
Reconciliation of segment result to group net profit/loss before tax:				
Amounts not included in segment result but reviewed by the Board:				
— depreciation and amortisation				(13,471)
Net loss before tax from continuing operations				**(432,882)**

2010	Head Office Australia	Exploration Fiji	Intersegment	Total
	$	$	$	$
Segment Assets	10,362,394	8,457,786	(8,627,798)	10,192,382
Reconciliation of segment assets to group assets:				
Unallocated assets				-
Group assets				**9,170,780**
Segment Liabilities	37,349	8,636,062	(8,627,798)	45,613
Reconciliation of segment liabilities to group liabilities:				
Unallocated liabilities				-
Group liabilities				**45,613**

27 FINANCIAL INSTRUMENTS DISCLOSURES

(a) *Capital management*

The Group considers its capital to comprise its ordinary share capital and accumulated retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

It is the Group's policy to maintain its gearing ratio within the range of 0-25% (2010: 0-25%). The Group's gearing ratio at the statement of financial position date is shown below:

	Consolidated	
	2011	**2010**
	$	$
Cash and cash equivalents	**1,687,834**	2,173,259
Net debt	**1,687,834**	2,173,259
Share capital	**15,925,556**	15,215,954
Reserves	**89,441**	117,474
Accumulated losses	**(6,909,958)**	(5,186,659)
Total capital	**9,105,039**	10,146,769
Gearing ratio	**0.00%**	0.00%

(b) *Financial instrument risk exposure and management*

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

27 FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(c) *Principal financial instruments*

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

	2011	2010
Financial assets:		
Cash assets	**1,687,834**	2,173,259
Receivables	**194,754**	358,460
	1,882,588	2,531,719
Financial liabilities:		
Payables	**(65,741)**	(45,613)
	(65,741)	(45,613)
Net financial assets (liabilities)	**1,816,847**	2,486,106

(d) *General objectives, policies and processes*

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Credit risk

Credit risk arises principally from the Group's trade receivables and investments in corporate bonds. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

Other receivables

Other receivables comprise GST receivable, security deposits and sundry receivables. Credit worthiness of debtors is undertaken when appropriate.

The maximum exposure to credit risk at balance date is as follows:

	Consolidated	
	2011	2010
	$	$
Security Deposits	**19,444**	19,328
Other receivables	**41,141**	191,292
GST receivables	**134,169**	147,840
	194,754	358,460

27 FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(d) *General objectives, policies and processes (Continued)*

(ii) Liquidity risk

The Board receives cash flow projections on a quarterly basis as well as information regarding cash balances. At the year end, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g., trade receivables). These assets are considered in the Group's overall liquidity risk.

	Carrying Amount $	Contractual Cash flows $	< 6 mths $	6- 12 mths $	1-3 years $	> 3 years $
Maturity Analysis - Consolidated - 2011						
Financial Liabilities						
Trade Creditors	65,741	65,741	65,741	-	-	-
TOTAL	65,741	65,741	65,741	-	-	-
Maturity Analysis - Consolidated - 2010						
Financial Liabilities						
Trade Creditors	45,613	45,613	45,613	-	-	-
TOTAL	45,613	45,613	45,613	-	-	-

(iii) Market risk

Market risk does not arise as the Group does not use interest bearing, tradable and foreign currency financial instruments.

(iv) Interest rate risk

The Group has limited exposure to fluctuations in interest rates that are inherent in financial markets. The Board makes investment decisions after considering advice received from professional advisors.

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

27 FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(d) ***General objectives, policies and processes (Continued)***
(ii) Interest rate risk (continued)

			Fixed interest rate maturing in:				
2011	**Note**	**Floating Interest Rate**	**1 Year or Less**	**Over 1 to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Financial assets:							
Cash assets	9	**1,687,834**	**-**	**-**	**-**	**-**	**1,687,834**
Receivables	10	**-**	**-**	**-**	**-**	**194,754**	**194,754**
		1,687,834	**-**	**-**	**-**	**194,754**	**1,882,588**
Weighted average interest rate		**0.55%**					
Financial liabilities:							
Payables	13	**-**	**-**	**-**	**-**	**65,741**	**65,741**
		-	**-**	**-**	**-**	**65,741**	**65,741**
Net financial assets (liabilities)		**1,687,834**	**-**	**-**	**-**	**129,013**	**1.816,487**

2010	**Note**	**Floating Interest Rate**	**1 Year or Less**	**Over 1 to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Financial assets:							
Cash assets	9	**2,173,259**	-	-	-	-	**2,173,259**
Receivables	10	-	-	-	-	**358,460**	**358,460**
		2,173,259	-	-	-	**358,460**	2,531,719
Weighted average interest rate		0.50%					
Financial liabilities:							
Payables	13	-	-	-	-	(45,613)	(45,613)
		-	-	-	-	(45,613)	(45,613)
Net financial assets (liabilities)		**2,173,259**	-	-	-	312,847	2,486,106

Sensitivity Analysis

		Consolidated	
		+2% interest rate	-2% interest rate
2011	Carrying amount	Profit & Loss	Profit & Loss
Cash assets	**1,687,834**	33,757	(33,757)
	1,687,834	33,757	(33,757)
Tax charge of 30%		(10,127)	10,127
Post tax profit increase / (decrease)		23,630	23,630
2010			
Cash assets	**2,173,259**	43,465	(43,465)
	2,173,259	43,465	(43,465)
Tax charge of 30%		(13,040)	13,040
Post tax profit increase / (decrease)		30,425	(30,425)

27 FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(d) *General objectives, policies and processes (Continued)*

(v) Currency risk

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency (AUD) with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere.

The Group's exposure to foreign currency risk is as follows:

	Consolidated	
	2011	**2010**
	$FJ	**$FJ**
Cash at bank	**60,061**	55,222
Net Exposure	**60,061**	55,222

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the year end. The below analysis assumes all other variables remain constant.

Sensitivity Analysis		**Consolidated**	
		+10% FJD/AUD	-10% FJD/AUD
2011	Carrying amount	Profit & Loss	Profit & Loss
	$FJ	AUD$	AUD$
Cash at bank	60,061	3,179	(3,179)
	60,061	3,179	(3,179)
Tax charge of 30%		(954)	954
Post tax profit increase / (decrease)		2,225	(2,225)
2010			
Cash at bank	55,222	2,928	(2,928)
	55,222	2,928	(2,928)
Tax charge of 30%		(878)	878
Post tax profit increase / (decrease)		19,434	2,050

(vi) Sovereign risk

Country or sovereign risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in a country. These changes can adversely affect operating profits as well as the value of assets. Types of country risk include;

Political changes. Governments may change economic policies. Changes in the ruling party in Australia or Fiji (brought about by elections, coups or wars) may result in major policy changes. This could result in expropriation of the Company's exploration leases, inability to repatriate future profits, higher taxes, higher tariffs and import costs, elimination of FDI incentives, domestic ownership requirements and local content requirements.

27 FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(d) *General objectives, policies and processes (Continued)*

(vi) *Sovereign risk (continued)*

Macroeconomic mismanagement. The Australian and Fiji governments may pursue unsound monetary and fiscal policies which may lead to inflation, higher interest rates, recession and hard currency shortage.

Other types of country risk include war and labour unrest which could result in higher costs and work stoppages.

The Group has maintained a working policy of keeping all relevant Government offices informed and updated on activities to allow clear avenues of communication with Government authorities and an understanding of any policy changes and any affects that they may have on the Group's work. Regular meetings, field visits and discussion Groups are held with staff of the Mineral Resources Department of Fiji and these include Ministerial and senior management briefings.

(e) Accounting policies

(i) Financial assets

The Group's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. The Group does not use derivative financial instruments in economic hedges of currency or interest rate risk. The Group has not classified any of its financial assets as held to maturity.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

Loans and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally though the sale of assets and GST receivable. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.
Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

27 FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(e) *Accounting policies (Continued)*

(i) Financial assets (Continued)

Available for sale

Non-derivative financial assets not included in the above categories are classified as available for sale. They are carried at fair value with changes in fair value recognised directly in the available for sale reserve. Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the statement of comprehensive income. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available for sale reserve. On sale, the amount held in the available for sale reserve associated with that asset is removed from equity and recognised in the statement of comprehensive income. Interest on corporate bonds classified as available for sale is calculated using the effective interest method and is recognised in finance income in the statement of comprehensive income.

(ii) Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost. The Group does not use derivative financial instruments in economic hedges of currency or interest rate risk.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

These financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(iii) Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Groups ordinary shares are classified as equity instruments.

For the purposes of these disclosures, the Group considers its capital to comprise its ordinary share capital, and accumulated retained earnings. Neither the available for sale reserve nor the translation reserve is considered as capital. There have been no changes in what the Group considers to be capital since the previous period.

The Group is not subject to any externally imposed capital requirements.

28 NOTES TO THE STATEMENT OF CASH FLOWS

(a) For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash at bank.

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

	Consolidated	
	2011	**2010**
	$	**$**
Cash at Bank	**1,687,834**	2,173,259

(b) Non Cash Financing

Shares issued in lieu of payment for services rendered		-
Exchange rate fluctuations in exploration expenditure	**(11,817)**	(319,948)
Share based payments	**7,086**	-

(c) Reconciliation of Cash Flows from Operating Activities

Profit (loss) for the year	**(1,723,299)**	(432,882)
Depreciation	**27,176**	13,471
Options expense	**7,046**	-
Exploration expenditure written off	**1,275,080**	-
Profit on sale of plant and equipment	**-**	(4,306)
Changes in Assets and Liabilities:		
(Decrease)/increase in receivables	**163,706**	(287,526)
(Decrease)/increase in payables	**20,128**	(98,574)
Net Cash from Operating Activities	**(230,163)**	(809,817)