



16 May 2006

Dear Shareholder

**Notice of 2006 Annual General Meeting**

On behalf of the Board of Directors, I am pleased to invite all shareholders to attend the 2006 Annual General Meeting of Geopacific Resources NL (GPR), which will be held at 11:00am on Friday 16 June 2006 at 556 Crown Street, Surry Hills, Sydney.

I am also pleased to advise that on 9 May 2006 the Company was listed on the Australian Stock Exchange (ASX) trading under the code of GPR. This is a tremendous achievement for our group and marks a significant milestone in the growth path of GPR.

The Financial Statements for the year ending 31 December 2005 including a report on activities from the Board of Directors are attached.

If you are able to attend I look forward to the opportunity to meet with you and update you on our current and planned work at our very prospective exploration projects in Fiji.

If you are unable to attend the meeting please return a completed proxy form (attached), by facsimile to (02) 9699 7322 by 14 June 2006.

Yours sincerely  
**Geopacific Resources NL**

A handwritten signature in black ink, appearing to read "I. Pringle".

**Ian Pringle**  
Managing Director

Geopacific Resources NL  
ACN 003 208 393

info@geopacific.com.au  
www.geopacific.com.au

**Australia – Sydney**  
556 Crown St  
(PO Box 477)  
Surry Hills  
NSW 2010  
AUSTRALIA

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F +61 2 9699 7322

**Fiji – Nadi**  
PO Box 9975  
Nadi Airport  
Nadi  
FIJI

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## NOTICE OF 2006 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Geopacific Resources NL (the Company) will be held at 556 Crown Street, Surry Hills, Sydney on 16 June 2006 commencing at 11:00am.

### ORDINARY BUSINESS

- To receive the Accounts**  
To receive the Report of the Directors and Auditors, and the Financial report for the year ended 31 December 2005.
- To elect a Director**  
Mr W A Brook retires as a Director pursuant to the Company's Constitution and, being eligible, offers himself for re-election.
- Adoption of Remuneration Report**  
To adopt the Remuneration Report for the financial year ended 31 December 2005.

### PROXIES

To be effective, proxy forms must be received by the Company at its registered office at least 48 hours before the time for holding the meeting.

**Hand Delivery:** 556 Crown Street  
Surry Hills NSW 2010

**By Mail:** PO Box 477  
Surry Hills NSW 2010

**By Facsimile:** (02) 9699 7322

A member entitled to attend and vote is entitled to appoint not more than two persons as his/her proxy to attend and vote instead of the member. A proxy need not be a member of the Company.

If more than one proxy is appointed each proxy must be appointed to represent a specified proportion of the member's voting rights.

Unless under Power of Attorney (which should have been noted by the Company) a proxy form by a corporation should be executed under its common seal or in accordance with the Corporations Act.

Dated at Sydney this 16<sup>th</sup> day of May 2006

**BY ORDER OF THE BOARD**

**Heath L Roberts**  
Company Secretary

Geopacific Resources NL  
ACN 003 208 393

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www.geopacific.com.au

**Australia – Sydney**  
556 Crown St  
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## **EXPLANATORY NOTES**

These explanatory notes set out information in connection with the business to be considered at the 2006 Geopacific Resources NL Annual General Meeting.

### **ORDINARY BUSINESS**

The following items of ordinary business will be considered at the meeting.

#### **Resolution 1**

##### **Financial Report**

This item of business relates to the receipt and adoption of the Company's Financial Report for year ended 31 December 2005.

#### **Resolution 2**

##### **Election of a Director - Mr W A Brook**

Mr Brook, a geologist with over 40 years experience, is a founding director of Geopacific. He has held senior positions with a range of Australian and international exploration and mining companies and is based in Fiji with responsibility for Geopacific operations and developing new projects.

#### **Resolution 3**

##### **Adoption of Remuneration Report**

The Corporate Law Economic Reform Programme (Audit Reform and Corporate Disclosure Act 2004 (Cth)) (CLERP 9) requires that a resolution be put to the members to adopt the remuneration report as disclosed in the directors' report. The vote on this resolution is advisory only and non-binding. The resolution gives the members the opportunity to ask questions or make comments concerning the remuneration report during the meeting.

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# PROXY FORM

**REGISTERED OFFICE:**

556 Crown Street, Surry Hills NSW 2010  
**Postal Address: PO Box 477, Surry Hills NSW 2010**  
**Facsimile: (02) 9699 7322**

I/We \_\_\_\_\_  
*(Full name in block letters)*

of \_\_\_\_\_  
*(Address)*

being a member of Geopacific Resources NL hereby appoint:

Name \_\_\_\_\_

Address \_\_\_\_\_

or failing that person:

Name \_\_\_\_\_

Address \_\_\_\_\_

or failing that person, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting of this Company to be held at 556 Crown Street, Surry Hills, Sydney on 16 June 2006 commencing at 11:00am and at any adjournment thereof.

**Proxy Voting Instructions**

If you do not wish to direct your proxy how to vote, please insert **X** in the box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

If the Chairman of the meeting is voting as your proxy, he intends to vote any undirected proxies held on the item of business in favour of the resolution on that item of business.

\_\_\_\_\_  
Signature of shareholder (companies to execute under seal or director's signature if applicable)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2006

If you desire to direct your proxy/proxies how to vote, please insert **X** in the appropriate box. If you do not direct your proxy/proxies they may vote as they think fit or may abstain from voting.

<b>BUSINESS</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Resolution 1 – To receive the accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – To elect a Director - Mr W A Brook	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\_\_\_\_\_

**GEPACIFIC RESOURCES NL**  
*ACN 003 208 393*  
*and Controlled Entities*

**ANNUAL REPORT**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2005**

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

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## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

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# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

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## CORPORATE DIRECTORY

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

**Directors in Office**  
**(as at the date of this Report)** R J Fountain, Chairman  
I J Pringle, Managing Director  
W A Brook, Executive Director  
I N A Simpson  
R H Probert  
C K McCabe (Appointed Alternate Director to Mr I N A Simpson on 12 September 2005)

**Registered Office** 556 Crown Street, Surry Hills, NSW. 2010.  
P.O. Box 477, Surry Hills, NSW. 2010.  
Phone: 61 2 9699 2311 Fax: 61 2 9699 7322 E-mail: [ianp@geopacific.com.au](mailto:ianp@geopacific.com.au)

**Company Secretary** Mr Heath Roberts

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

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

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

**Directors** R H Probert (Chairman)  
W A Brook (Managing Director)  
I J Pringle (Appointed 10 March 2005)  
I N A Simpson  
It is with regret that we record the death, in March 2005, of Ratu Joseteki Sovau, a Director of the Company since April 1994.

**Fiji Operations Office** W A Brook, 28 Gray Road, Mountain View, Nadi  
Tel: 679 6 720166 Fax: 679 6 720206  
All mail to: P O Box 9975, Nadi Airport, Fiji  
E-mail: [gpl@connect.com.fj](mailto:gpl@connect.com.fj)

**Company Secretary** W A Brook, P. O. Box 9975, Nadi Airport, Fiji  
Tel: 679 6 720166 Fax: 679 6 720206 E-mail: [gpl@connect.com.fj](mailto:gpl@connect.com.fj)

**Registered Office** 28 Gray Road , Mountain View, Nadi, Fiji.

**Auditor** Ernst & Young, Suva

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

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

**Directors** W A Brook  
I J Pringle (Appointed 20 February 2005)  
I N A Simpson

**Company Secretary** W A Brook, P.O. Box 9975, Nadi Airport, Fiji  
Tel: 679 6 720166 Fax: 679 6 720206 E-mail: [gpl@connect.com.fj](mailto:gpl@connect.com.fj)

**Registered Office** 28 Gray Road , Mountain View, Nadi, Fiji

**Auditor** Ernst & Young, Suva

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
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## DIRECTORS' REPORT

The Directors present their report together with the financial report of Geopacific Resources N.L. ("GPR") ("the company") and of the consolidated entity, being the company and its controlled entities, Geopacific Limited ("GPL") and Beta Limited ("Beta"), for the year ended 31 December 2005, together with the auditors' report thereon.

### 1 Directors

The Directors of the company at any time during, or since the end of the financial year of 31 December 2005 are:

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

Dr Fountain was appointed a Director and chairman of the company on 23 September, 2004. He is a Sydney-based consulting geologist with 39 years of international experience in all aspects of mineral exploration, project feasibility and mine development. Previous positions include President, Phelps Dodge Exploration Corporation; Exploration Manager, Nord Pacific Ltd and Chief Geologist, CSR Minerals. Russell has had global responsibility for corporate exploration programs with portfolios targeting copper, gold, nickel and mineral sands. He played a key role in the grassroots discovery of mines at Granny Smith (Au in WA), Osborne (Cu-Au in Qld) and Lerokis (Au-Cu in Indonesia) and the development of known prospects into mines at Girilambone (Cu in NSW) and Waihi (Au in NZ). Russell was awarded a PhD in Geology from the University of Sydney in 1973, with a thesis based on his work at the Panguna Mine (Cu-Au in PNG) and he worked as a project geologist on the Namosi porphyry copper deposit in Fiji from 1972 to 1976. He is a Fellow of the Australian Institute of Geoscientists, and Managing Director of Finders Resources Ltd.

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

Dr. Pringle was appointed Managing Director of the company on 23 September, 2004. He is a Sydney-based exploration geologist with over 20 years of specialist expertise in exploration for silver, gold, and copper within Australia and SE Asia. Ian gained a doctorate from the University of Otago in Dunedin, New Zealand in 1981 where he studied petrology, mineralogy and geochemistry of metamorphosed volcanic rocks and taught laboratory classes in economic geology. During his career, Ian has worked in mineral exploration programmes that have resulted in successful mineral discoveries;

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

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



# GEOPACIFIC RESOURCES NL

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

### 1 Directors (Continued)

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

Mr Brook has served two terms as Managing Director of the company since 1987 and resigned this position in September 2004 in favour of Dr Pringle. Bill is a geologist with over 40 years experience in the industry, including senior positions with Australian and international exploration and mining companies.

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

#### **Ian Neville Aston Simpson**

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

#### **Craig Kingsley McCabe, B.Ec., F.A.I.B.F., A.I.M.M.**

Mr McCabe was appointed as Alternate Director to Mr Simpson on 12 September 2005. Craig has over 17 years experience in financial markets, having worked for banks and merchant banks in Australia, where he dealt in interest rates, securities and equities. In the past 12 years he has been engaged in managing his family business with interests in Australia and Fiji.

#### **Roger Harvie Probert**

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

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

## DIRECTORS' REPORT (Continued)

### 2 Principal Activity

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

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

### 3 Review and Results of Operations

The net loss of the consolidated entity for the year ended 31 December 2005 was \$135,273 (2004: loss \$140,605).

### 4 Dividends

The Directors do not recommend the payment of a dividend.

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

### 5 State of Affairs

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

### 6 Directors' Interests and Benefits

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

	Direct shares	Indirect shares
R J Fountain	Nil	Nil
I J Pringle	Nil	Nil
W A Brook	3,022,033	1,569,050
I N A Simpson	692,695	Nil
R H Probert	589,454	Nil
C K McCabe (Alternate)	Nil	595,238

Details of the nature and amount of each element of the emoluments of each Director of Geopacific Resources NL for the year ended 31 December 2005 are set out in the table below:

Director	Base Fee	Super Contribution	Other Benefits	Total
W A Brook	F\$35,797	nil	F\$5,798	F\$41,595
I. J. Pringle	A\$25,050	nil	nil	A\$25,050
I N A Simpson	nil	nil	nil	nil
R H Probert	nil	nil	nil	nil
R J Fountain	nil	nil	nil	nil
C. K. McCabe	nil	nil	nil	nil

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

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## DIRECTORS' REPORT (Continued)

### 6 Directors' Interests and Benefits (Continued)

#### Remuneration

Ian Pringle is the Managing Director of the company. A Consultancy Agreement dated 16 February 2005 has been entered into between the company and Ian J Pringle & Associates Pty Ltd ("Consultant"), being a company controlled by Dr Pringle. The consulting services are to be provided by the Consultant making available the services of Dr Pringle for between 150 and 185 days per annum (or as otherwise agreed). The Agreement commenced on 1 March 2005 for an initial term of two years, with an option for the Company to extend the term for two further periods of two years each, unless the consultancy is terminated earlier in accordance with the agreement. The Consultant may terminate the agreement on not less than 4 months notice. The Consultant may also terminate the agreement immediately without notice if the company becomes insolvent or requires the Consultant to perform services outside the scope of the agreement for a period of more than 100 days in any year or if the company fails to pay moneys due under the Agreement within 14 days of demand and the company shall pay to the Consultant the termination payment referred to below. The company may terminate the agreement immediately without notice for serious or persistent breach, bankruptcy, fraud or wilful neglect, total and permanent incapacitation or mental illness of the Consultant or Dr Pringle (as the case may be), and may terminate the agreement at any time on 1 months notice without disclosure of any reason, by payment of a lump sum termination payment equivalent to the amount which the Consultant would have received for providing the services for one half of the Term then remaining or 6 months, whichever is the greater. The consultancy fee is \$400 per day (prior to Listing) and \$800 per day (post Listing), plus bonuses and expenses and subject to annual review by the company, with a bonus of between \$20,000 and \$40,000 dependent upon the amount raised under this Offer, together with 1,500,000 Options issued in accordance with the terms and conditions set out in the following section on Share Options. Dr Pringle will receive fees for services rendered to the company in his capacity as a contractor to Ian J Pringle & Associates Pty Ltd.

Dr Russell Fountain is a Director of and holds shares in Finders Capital Ltd (now Finders Resources Ltd) which holds Convertible Notes and Shares in the company, details of which are set out in following sections.

Upon the company becoming listed on the ASX, Geopacific Resources NL will pay Mr Willie Brook Fiji \$124,573 which is the amount owing to him for unpaid fees and expenses. Mr Willie Brook entered into an employment agreement as Executive Director with the company effective from the date of Listing, for an initial term of two years, with an option for the company to extend the term for a further year, unless the employment is terminated earlier in accordance with the agreement.

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

## DIRECTORS' REPORT (Continued)

### 6 Directors' Interests and Benefits (Continued)

Mr Brook may terminate the agreement on 3 months notice. The company may terminate the agreement immediately without notice for serious breach, bankruptcy, fraud or wilful neglect, total and permanent incapacitation or mental illness of Mr Brook, and may terminate the agreement at any time on 6 months notice without disclosure of any reason, or at its discretion, by payment of the equivalent amount of remuneration in lieu of the notice period. The salary package is \$100,000 per annum, including superannuation plus bonuses and expenses, subject to annual review by the company. He is also entitled to the usual leave entitlements. Mr Brook will also receive a success fee of up to \$20,000 upon the company becoming listed on the ASX.

Mrs S. K. Brook, the spouse of Mr Brook, will be employed by the company to undertake administration duties at the Fijian office and will receive an annual payment of Fiji \$20,000 for this work.

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.

### 7 Directors' Meetings

During the year ended 31 December 2005 a total of three Directors' Meetings were held. Directors' attendance record is tabulated below.

Record of Directors' Attendance at Meetings

Director	Service	Attended*	Eligible to Attend	Leave of Absence
R J Fountain	All year	3	3	-
I J Pringle	All year	3	3	-
W A Brook	All year	3	3	-
I N A Simpson	All year	1	3	-
R H Probert	All year	3	3	-
C K McCabe	To 12 September	1	2	-
C K McCabe (alt. to I. Simpson)	From 12 September	-	-	-

\* Either in person, or by electronic means.

# GEOPACIFIC RESOURCES NL

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

### 8 Environment Regulations

Entities in the consolidated entity 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.

### 9 Share Options

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

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

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

### 10 Capital Raising and Planned Listing on the Australian Stock Exchange (ASX)

On 31 October 2005 Geopacific Resources NL lodged a Prospectus with ASIC to invite investors to apply for a total of 22,500,000 Shares at an issue price of \$0.20 per Share to raise \$4,500,000. The Minimum Subscription under the Offer is 11,500,000 Shares at an issue price of \$0.20 per Share to raise \$2,300,000. All Shares issued pursuant to the Prospectus were to be issued as ordinary shares and will rank equally in all respects with the Shares already on issue. The Closing Date of the Offer was extended by the Directors from the expected closing date of 16 December 2005 into 2006. The Prospectus was mailed to all existing Shareholders and can be viewed on the company's website at [www.geopacific.com.au](http://www.geopacific.com.au). Closing of the Offer was on 3<sup>rd</sup> April 2006 and Geopacific Resources NL is expected to commence trading (code GPR) on the Australian Stock Exchange in early May 2006.

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

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## DIRECTORS' REPORT (Continued)

### 10 Capital Raising and Planned Listing on the Australian Stock Exchange (ASX) (Continued)

#### Convertible Notes

In order to fund the preparation of the Prospectus, pursuant to six convertible notes dated between 3 September 2004 to 18 July 2005, the company agreed to issue to Finders Capital Ltd (FCL) up to 350,000 convertible notes of \$1.00 each (Notes). 330,000 Notes have been issued to FCL of which 50,000 Notes have been converted into 1,666,667 Shares. The balance of 280,000 notes will be converted into 4,233,333 Shares on or about the time of listing of the company on the ASX (early May 2006). The Notes carry interest at the rate of 10% per annum. Interest is payable to the note holder monthly in arrears and accrues from day to day. The Notes are redeemable six calendar months after the date of issue of the note or upon an insolvency event occurring in respect of the company. The Notes constitute an unsecured obligation of the company. The company is not obliged to issue to the note holder any ordinary shares if, as a result of that issue, the note holder will hold more than 19.9% of the issued capital of the company. Application will be made for the ordinary shares issued to the note holder upon conversion of the Notes to be quoted on the ASX. The terms of the Note contains usual provisions protecting the position of the note holder in the event of changes in the capital of the company whether by new issues, consolidation, subdivision, return, cancellation or other reconstruction of the capital of the company during the term of the Note. The Notes are freely transferable by the note holder provided all notes held by the note holder are transferred to one person.

Subsequent to the end of the reporting period all outstanding Convertible Notes were converted, resulting in the issue of 4,233,333 ordinary shares to FCL in late April 2006.

#### Contracts

##### Imperial Mining (Fiji) NL – Joint Venture Agreement

On 30 April 1996 Otter Gold Mines Ltd (**Otter**), Beta Ltd (a wholly owned subsidiary of the company) and Imperial Mining (Fiji) NL (**Imperial**) entered into a Joint Venture Agreement to carry out exploration on Fijian Special Prospecting Licences numbered 1231 and 1373 (“**Tenements**”) and to include the area within 20 kilometres of the boundaries of the Tenements.

Pursuant to the Joint Venture Agreement, Imperial was granted the right to earn an interest in the Tenements by meeting a two stage expenditure program. The expenditure programs have been met by Imperial with the result that Imperial now holds a 50% interest in the Tenements. Beta Ltd holds the remaining 50% interest in the Tenements.

Beta Ltd is the manager of the Joint Venture. Relinquishment of all or any part of the Tenements requires unanimous approval of the joint venturers. The Joint Venture Agreement contains usual provisions concerning the management committee, management, dilution, assignment and force majeure.

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

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## DIRECTORS' REPORT (Continued)

### 10 Capital Raising and Planned Listing on the Australian Stock Exchange (ASX) (Continued)

#### Contracts (Continued)

Pursuant to a Share Sale Agreement dated 17 June 2002 (SSA) Otter sold the whole of the issued capital of Beta Ltd to the company. Since completion was effected under that Agreement, Beta Ltd has been a wholly owned subsidiary of the company. In a Deed dated 11 March 2005, the parties acknowledged that the Tenements were owned by Imperial and Beta Ltd in equal shares. Pursuant to the SSA (as amended by an Amending Deed dated 23 February 2005), the company agreed that in the event that it makes an allotment of approximately 9 million ordinary shares in the company to Fiji Empress Gold Mines Ltd, then it must allot to Otter approximately 1.9 million ordinary shares in the company for no consideration. The company is not under any obligation to make any allotment of shares to Fiji Empress Gold Mines Ltd.

#### Vuda Option to Purchase and Joint Venture Agreement

Pursuant to the Vuda Option to Purchase and Joint Venture Agreement dated 22 February 2005 (Option Agreement) made between the company, Geopacific Ltd (GPL) and Apisai Vuniyayawa Tora (Vendor), the Vendor granted GPL (a wholly owned subsidiary of the company) the option to purchase an 80% interest in Fijian Special Prospecting Licence 1368 (Tenement). The option is exercisable by GPL at any time on or before 22 February 2008 subject to certain option continuation payments being made by GPL in the event that the company's ordinary shares become listed on the Australian Stock Exchange (ASX) during the option period. GPL must pay the Vendor the following amounts:

- on the date of execution of the Option Agreement, Australian \$10,000;
- within two weeks of the date of listing of the Company's shares on the ASX ("Listing Date"), Australian \$10,000 (of which the Vendor is to use Fiji \$2,000 to partly pay the bond applicable to the Tenement);
- on the first anniversary of the Listing Date, Australian \$34,000 of which Fiji \$4,000 is to be used by the Vendor to pay the balance of the bond applicable to the Tenement.

Any failure by GPL to make any of these payments will, if not remedied within 14 days, result in the forfeiture of all rights granted to GPL under the Agreement. The exercise price of the option is the payment of Australian \$512,000 to the Vendor. The grant of the option is subject to all necessary consents under the Fijian Mining Act being obtained. Upon exercise of the option payment of the purchase price must be made by GPL to the Vendor within 30 days.

From the date of execution of the Option Agreement, GPL must meet the minimum expenditure commitments in respect of the Tenement. In certain circumstances, if during the option period GPL fails to maintain the Tenement in good standing, the Vendor may, after having given 4 months' notice to GPL to rectify and GPL having failed to rectify, require GPL to pay the option exercise price (i.e. Australian \$512,000) for the Tenement.

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

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## DIRECTORS' REPORT (Continued)

### 10 Capital Raising and Planned Listing on the Australian Stock Exchange ASX) Continued)

GPL is responsible for lodging all bonds required under the Fijian Mining Act during the option period in respect of the Tenement.

Upon GPL exercising the option, the Vendor has the right to require GPL to purchase from the Vendor the Vendor's remaining 20% interest in the Tenement. The purchase price for the remaining 20% interest is to be determined by agreement or, if the parties cannot reach agreement, it shall be determined by the President of the Australian Institute of Geoscientists. The payment of the purchase price for the 20% interest in the Tenement must be paid by GPL to the Vendor within 60 days of receipt of Ministerial approval for the sale. GPL may withdraw from the Option Agreement provided it has met the statutory obligations in respect of the Tenement up to the date of withdrawal.

If the Vendor elects not to sell his remaining 20% interest in the Tenement, a Joint Venture shall be formed between the Vendor and GPL in respect of the Tenement. Upon a party (other than the Vendor) reducing its interest in the Tenement to 10% or less it must either contribute to all future Joint Venture expenditure or convert its interest in the Joint Venture to a 2.5% net smelter return.

From the date of execution of the Option Agreement GPL is the manager of all exploration works on the Tenement. The Agreement contains provisions usually found in exploration joint venture agreements relating to the management committee, management, dilution, assignment, pre-emption, force majeure and confidentiality.

#### **Sabeto Option to Purchase Agreement**

Pursuant to the Sabeto Option to Purchase Agreement dated 4 April 2005 (**Option Agreement**) made between the company, Geopacific Ltd (**GPL**) and Apisai Vuniyayawa Tora (**Vendor**), the Vendor granted GPL (a wholly owned subsidiary of the company) the option to purchase a 100% interest in Fijian Special Prospecting Licence 1361 (**Tenement**). The option is exercisable by GPL at any time on or before 4 April 2008 subject to certain option continuation payments being made by GPL in the event that the company's ordinary shares become listed on the Australian Stock Exchange ("**ASX**") during the option period. GPL must pay the Vendor the following amounts:

- on the date of execution of the Option Agreement, Fiji \$6,680;
- within two weeks of the date of listing of the company's shares on the ASX (**Listing Date**), Fiji \$5,000 (of which the Vendor is to use Fiji \$1,000 to partly pay the bond applicable to the Tenement);
- on or before the first anniversary of the Listing Date, Fiji \$10,000 of which Fiji \$3,000 is to be used by the Vendor to pay the balance of the bond applicable to the Tenement; and
- on or before the second anniversary of the Listing Date, Fiji \$30,000.



# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

### 10 Capital Raising and Planned Listing on the Australian Stock Exchange (ASX) Continued)

Any failure by GPL to make any of these payments will, if not remedied within 15 business days, result in the forfeiture of all rights granted to GPL under the Agreement. The exercise price of the option is the payment of Fiji \$200,000 to the Vendor. The grant of the option is subject to all necessary consents under the Fijian Mining Act being obtained. Upon exercise of the option payment of the purchase price must be made by GPL to the Vendor within 30 days.

From the date of execution of the Option Agreement, GPL must meet the minimum expenditure commitments in respect of the Tenement. In certain circumstances, if during the option period GPL fails to maintain the Tenement in good standing, the Vendor may, after having given 4 months' notice to GPL to rectify and GPL having failed to rectify, require GPL to pay the option exercise price (i.e. Fiji \$200,000) less any option continuation payments already made for the Tenement.

GPL is responsible for lodging all bonds required under the Fijian Mining Act during the option period in respect of the Tenement. GPL may withdraw from the Option Agreement provided it has met the statutory obligations in respect of the Tenement up to the date of withdrawal.

The Vendor is entitled to receive a royalty of Fiji \$10.00 per ounce of gold produced from the Tenement up to a maximum of Fiji \$1,500,000.

From the date of execution of the Option Agreement GPL is the manager of all exploration works on the Tenement. The Agreement contains usual provisions relating to the management committee, management, assignment, pre-emption, force majeure and confidentiality.

# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

### 11 Review of Operations in Fiji

#### 11.1 Schedule of Mining Tenements

Tenement	Location	Area	Status	Expenditure Proposals
SPL 1377 NUKU 100% GPL	50 km NNW of Suva	2,370 ha	Granted 15 August 1996 to GPL. Renewal lodged for 12 month period to 31 Dec. 06.	F\$160,000 proposed for the period to 31 Dec 06. Costs 100% GPL
SPL 1434 NADI SOUTH 100% GPL	7 km SE of Nadi	7,450 ha	Granted on 9 <sup>th</sup> June 2005 to GPL for an initial 12 month period to 16 <sup>th</sup> March 2006. Renewal lodged for period to 16 March 2007.	F\$105,000 proposed for the 12 month period to 16 <sup>th</sup> March 2007. Costs 100% GPL
SPL 1231 RAKIRAKI 50% Beta 50% IMP	Rakiraki	Approx. 7,790 ha.	Granted 6 November 1985 to Beta. IMP has earned 50.0%. Renewal lodged for 12 month period to 31 December 2006.	F\$125,000 proposed for the period to 31 December 2006. Costs 50% Beta.
SPL 1373 QALAU 50% Beta 50% IMP	Rakiraki	Approx. 3,440 ha.	Granted 6 July 1995 to Beta. IMP has earned 50.0%. Renewal lodged for 12 month period to 31 December 2006.	F\$125,000 proposed for the period to 31 December 2006. Costs 50% Beta.
SPL 1436 TABUKA 50% Beta 50% IMP	Rakiraki	Approx. 2,500 ha	Granted on 9 <sup>th</sup> June 2005 to Beta for an initial 12 month period to 16 <sup>th</sup> March 2006. IMP has 50% interest. Renewal lodged for period to 16 March 2007.	F\$30,000 proposed for the 12 month period, to 16 <sup>th</sup> March 2007. Costs 50% Beta.
CX 667 NADOVU SPL application.  100% GPL	Nuku	Approx. 7,300 ha	Application lodged 16 March 2005. Notices appeared in local newspapers and lodged with Government Gazette in August 2005.	F\$60,000 proposed for first 12 month period after granting. Costs 100% GPL
SPL 1368 VUDA GPL has option to purchase 80% by GPL by 22 Feb.08	15 km NNE of Nadi	9,510 ha	Granted 18 October 1994. Ministerial approval for 3 year option to purchase 80% granted 2 Feb. 2005. Agreement signed 22 Feb. 2005. Renewal of SPL lodged for 12 month period to 31 December 2006.	Proposed expenditure of F\$75,000 to 31 December 2006. Costs 100% GPL.
SPL 1361 SABETO 3-year option to purchase 100% by GPL.	16 km NE of Nadi	3,850 ha	Granted 6 October 1999. Ministerial approval for a 3 year option to purchase 100% granted 21 <sup>st</sup> March 2005. Agreement signed 4 <sup>th</sup> April 2005. Renewal of SPL lodged for 12 month period to 31 Dec. 2006	Proposed expenditure of F\$50,000 to 31 December 2006. Costs 100% GPL.

**GEOPACIFIC RESOURCES NL**

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**DIRECTORS' REPORT  
(Continued)**

**11 Review of Operations in Fiji (Continued)**

**Mining Tenements in Viti Levu as at 31 December 2005**

**Figure 1**

# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

### 11 Review of Operations in Fiji (Continued)

Geopacific land holdings comprise eight tenements covering a total of 442 square kilometres, on Fiji's main island Viti Levu, in the following four project groups of contiguous tenements.

- **Nadi South:** targeting a "blind" porphyry copper gold system and peripheral gold vein targets;
- **Nuku:** targeting skarn and carbonate replacement gold and gold-base metals systems as well as a central unexplored porphyry copper system;
- **Vuda and Vuda Sabeto,** targeting high-grade vein style epithermal/mesothermal gold, and
- **Rakiraki:** targeting Vatukoula style quartz vein gold deposits.

The tenements are summarised in the following table. Seven have been granted under the Mining Act of Fiji and one is in application stage.

#### Geopacific Resources NL tenements

Project/ Tenement Name	Title/Tenement number	Holder	Interest
Nadi South	SPL 1434	GPL	100%
Nuku	SPL 1377, CX667 (Nadovu)	GPL	100%
Vuda	SPL 1368	Private vendor	80%*
Vuda Sabeto	SPL 1361	Private vendor	100%*
Rakiraki	SPL 1231, SPL 1373, SPL 1436	Beta	50%

\* refers to an interest subject to option or to be earned

All of the tenements are located within gravity anomalies in prospective structural settings (Figure 1).

Fiji's prospectivity is clearly demonstrated by its existing mines and advanced projects, which include:

- Namosi porphyry copper-gold district (owned by Nittetsu Mining Co Ltd) contains a 'Measured Geological Resource' of 930 million tonnes of 0.43% copper and 0.14 g/t gold.

# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

### 11 Review of Operations in Fiji (Continued)

- Vatukuola Mine (Emperor Mines Ltd) has a past recorded production together with stated resources which total over 7.5 million ounces of gold
- Mt Kasi Gold deposit (Burdekin Pacific Ltd) is currently in feasibility study and has a reported resource of 3.665Mt of 2.56 g/t gold

Despite this endowment of mineral wealth, Fiji has been subject to significantly less exploration activity than any areas of comparable prospectivity in Australia. Prior to a major aeromagnetic survey flown as an Australian Aid project in 1997, Fiji in general, and Geopacific prospects in particular, have been subject to very limited application of modern geophysical exploration techniques.

Geopacific plans to apply recently developed enhancements to geophysical techniques, in particular three dimensional (3D) modelling of Inverse Polarisation geophysics (IP), which has been credited with major recent discoveries of deposits with similarities to Geopacific's targets (eg Ivanhoe Mines Ltd at Oyu Tolgoi – deep high grade porphyry copper-gold in Mongolia, and Kingsgate Consolidated Ltd (epithermal vein style gold in Thailand). These 3D IP surveys will target extensions of significant, ore grade showings already established in Geopacific's main prospects, and locate targets for early drill testing.

Geopacific's four main projects contain ten already defined individual targets, each with potential for economic discovery, and which are either ready for immediate drilling, or will be ready after initial IP surveys define drill locations. There are also numerous additional anomalies, many of which can be expected to develop into quality drill targets during the planned exploration work programs. Targets are listed below:

#### Summary of defined drill targets

Project	Prospect	Target	Exploration Follow-up
Nadi South	Togo	Porphyry copper-gold	IP survey followed by drill testing.
Nadi South	Red Ridge	Vein Gold	IP survey followed by drill testing.
Nuku	Wailoaloa	Au (base metal) skarn	Drill testing, plus detailed IP survey to define extensions.
Nuku	Vaki	Vein Gold	Geochemical sampling, IP survey then drill test.
Nuku	7 x magnetic anomalies	Au-base metal skarn	Geochemical sampling, mapping, IP survey then drill.
Vuda	Natalau	High grade vein gold	Drill testing, plus detailed IP survey to define extensions.
Vuda	Vuda Alteration Area/Area B12	Vein Gold	Data review, IP survey, possible drill testing.
Vuda	Sabeto geochemical anomaly	Vein/disseminated gold	IP survey followed by drill testing.
Rakiraki	Qalau	Vein Gold	IP survey followed by drill testing.
Rakiraki	4300E	Vein Gold	IP survey followed by drill testing.
Rakiraki	Tataiya Ridge	Vein Gold	IP survey followed by drill testing.

# GEOPACIFIC RESOURCES NL

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and Controlled Entities

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## DIRECTORS' REPORT (Continued)

### 11 Review of Operations in Fiji (Continued)

The main strands of Geopacific's exploration program comprise the following ten prospects or targets:

#### **11.2 Nadi South Project** (100% Geopacific)

This comprises the **Togo** (Cu-Au), and **Red Ridge** (Au) prospects.

1. At **Togo**, porphyry copper style mineralization was intersected beneath shallow post mineral cover rocks by a Fiji Mineral Resources Department (MRD) stratigraphic drill hole in 1984 and this intersection has never been followed up. Drill testing by Geopacific will follow on from initial mapping of the sub-surface mineralized system using 3D IP techniques and 3D inversion of existing detailed aeromagnetic data.
2. At **Red Ridge** extensive high-grade surface gold values have been only partly tested by a few shallow reverse circulation holes drilled by CRA Exploration Proprietary Ltd (CRAE) in 1997. Drill testing by Geopacific will follow detailed IP surveys to define sub-surface structures.

An application for 12-month renewals of SPL 1434 was lodged with MRD in December 2005.

#### **11.3 Nuku Project** (100% Geopacific)

Nuku includes two defined prospects, **Wailoaloa** (Au and base metals) and **Vaki** (Au) plus an additional seven magnetic anomalies which have supporting surface geochemical anomalies and which may each represent sizable mineralised skarn deposits. The skarn targets sought at Nuku have geological similarities to the Thengkham copper prospect currently being explored by Oxiana in Laos.

3. The **Wailoaloa** skarn prospect has a shallow drill intersection of 4m at 7.9 g/t Au from 12m down hole (WL8) in weathered magnetite skarn. 3D magnetic modelling indicates a potential depth extent in excess of 300m below the existing intersection. In addition at least seven other skarn targets with significant size potential are indicated by magnetic modelling and are scheduled for evaluation using an integrated program of surface mapping geochemistry and 3D IP, followed up by and drill testing of prioritised targets.
4. The **Vaki** gold prospect appears to be a structurally controlled gold bearing vein system. Further surface work and IP is planned prior to drill testing at Vaki.

# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

### 11 Review of Operations in Fiji (Continued)

In SPL 1377 three dimensional modelling of the heli-magnetic data continued and nine anomalies were defined, which warranted field checking. A five week field program of reconnaissance geological mapping was completed over the core portion of SPL 1377 lead by Dr Russell Fountain and Mr Gyaista Sampurno. Eight anomalies were field checked and rock samples collected. This work has been successful in locating significant areas of quartz veining and stockworking and alteration patterns with characteristics typical of porphyry copper systems, together with extensive areas of magnetite skarn and gossan float, in a north-north west trending zone extending over 5.5 x 2 kilometres. The Directors believe that these results have considerably enhanced the potential for discovery of bulk tonnage resources of both gold and copper within the Nuku Project.

The report on this work is being completed prior to submission to the Fiji MRD and an application for a Special Prospecting Licence (CX 667) of 7,300 ha. enclosing SPL 1377, was marked out and lodged with MRD on 5 March, 2005.

An application for 12-month renewals of SPL 1377 was lodged with MRD in December 2005.

#### **11.4 Vuda Project** (two tenements; Geopacific has options to earn 80% and 100%)

Vuda includes three defined gold targets, **Natalau Mine Area**, **Vuda Alteration Area** and **Sabeto**, plus a substantial area of alteration with potential for additional discoveries.

5. At **Natalau** seventeen mineralised intersections which include trench samples, channel samples in old underground workings and drill core intersections, average 6.7 g/t Au over an average width of 7.9m. This represents an average true width of over 5m along a strike length of 90m for a mineralised zone which is not closed at depth or towards to the north and which is an immediate and high priority drill target.

This target has not been drill tested under 50m below surface. The above dimensions and grade suggest potential for approximately 30,000 ounces of contained gold to a depth of 100m. An immediate three hole drilling program, plus three additional, deeper holes, contingent on initial results is planned by Geopacific to test this potential. Detailed IP surveys, not previously applied at Vuda, are also planned to assist in interpretation of the structural control and location of repetitions of similar high grade shoots.

The excellent access to Natalau may allow direct shipping of any small high grade gold discovery to Emperor's Vatukoula Mine 35km to the north east, or, if sufficient ore can be defined, then a stand alone operation could be considered.

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## DIRECTORS' REPORT (Continued)

### 11 Review of Operations in Fiji (Continued)

In December Mr. Sampurno carried out a mapping and sampling program around the Natalau workings. A total of 38 rock samples and 12 stream sediment samples (the latter for BCL gold analyses) were collected and placed in storage until completion of the GPR capital rising.

6. **Vuda Alteration Area** is a 4km x 1km arcuate alteration zone with widespread anomalous gold values. This alteration has been subject of extensive shallow drilling by various companies with isolated encouraging results, including 1m @ 27.2g/t Au at 160m down hole in drill hole VD230 at location B12 and 3.3m at 5.12 g/t Au below 92m in drill hole N2. Geopacific plans detailed IP coverage across the altered zone to target structural traps for high grade gold and define drill targets.
7. **Sabeto** has a 700m x 300m area of gold anomalism defined by grid soil sampling, with a single channel sample giving 5.11 g/t over 5m. Geopacific plans detailed IP surveys to define subsurface structure prior to drill testing this target.
8. Applications for 12-month renewals of SPL 1361 and 1368 were lodged with MRD in December 2005.

### 11.5 Rakiraki Project (Geopacific 50% and Manager)

The Rakiraki project comprises three main gold prospects (**Qalau, 4300E** and **Tataiya Ridge**) and numerous other gold anomalies in a geological setting similar to Emperor's Vatukoula deposit, 35 km to the south-west. All three of the main prospects are scheduled for drill testing following detailed IP surveys which will define drill targets.

9. The **Qalau Prospect** is a 900m x 500m zone of anomalous gold in soil values, with trench samples up to 6m at 4.28 g/t Au. Limited drill testing has yielded a best intersection of 6m at 2.5 g/t Au. Geopacific plans to carry out detailed IP surveys to highlight near surface drill targets.
10. The **4300E Prospect** is a 200m x 450m gold in soil anomaly with pyritic quartz veins up to 7m wide encountered in trenching. Best intercept from limited drilling are 4m at 2.6 g/t Au from surface, and 26m at 1.3 g/t from 46m depth. Structural controls are not currently understood and Geopacific will use detailed IP surveys to locate targets for follow-up drilling.
11. At the **Tataiya Ridge Prospect** anomalous gold occurs in a 2000m x 600m zone of quartz stock-work veining and brecciation in basic volcanic rocks. Limited drill testing has not resolved the structure, and Geopacific will use detailed gradient array IP surveys to identify vein structures for drill testing.



# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

### 11 Review of Operations in Fiji (Continued)

Three tenements Held in the Rakiraki Joint Venture (RRJV) (SPL1231, 1373 and 1436) were granted to Beta Ltd on 6/11/85, 6/7/95 and 9/6/05 respectively. The Beta interest in the joint venture is 50%. The area of the joint venture, as defined in the RRJV Agreement, extends for 20 km from the original perimeters of SPL1231 and 1373. Work in 2005 within the RRJV was directed towards establishing Access and Compensation Agreements (ACA) with 60 to 70 leaseholders, mainly cane farmers, in the Qalau-Bituturalagi area in order to conduct an induced polarization (IP) survey in 2006. In addition, agreements were also required with Fiji Sugar Corporation and The National Roads Authority as the IP survey would be crossing the cane railway and a public road. These agreements were not completed until January 2006 and the IP survey commenced on 24 January, but was hampered by heavy rains. The crew went on field break on 23 February and is scheduled to return on 15 May 2006. A total of 16.6 km of gradient array IP lines was completed between cross-lines 3,700E and 4,400E and several lines of dipole-dipole IP were completed at the 4,300E Prospect.

### 12 Proposed Budgets for 2006

Funds raised in the IPO will be applied over the next two years principally to complete a drill intensive program at each of the established prospects in the Tenements. Summaries of planned expenditures are presented in the following Table.

#### Summary of Planned Work Program and Expenditure

Project	Program Objective	Work Plan Highlights	Expenditures (A\$)		
			Year 1	Year 2	Total
Nadi South	Test porphyry system by drill testing best geophysical targets, evaluate potential of priority gold targets	Porphyry: 35 line km IP geophysical surveys and 3D modelling, followed by 500m RC drill testing (Yr1), 500m diamond drilling (Yr2). Red Ridge, Takara: Geochemistry, 10 line km geophysics, 3D modelling. 500m RC drilling (Yr1), 500m diamond drilling (Yr2).	200,000	200,000	400,000
Nuku	Identify potential for gold resource at Wailoaloa and progress exploration of priority skarn targets	Wailoaloa: 30 line km geophysics, 500m diamond drilling (Yr1), 700m diamond drilling (Yr2). M7, Vaki, Central anomalies: geochemistry, mapping, 25 line km geophysics, 3D modelling, 200m diamond drilling.	200,000	250,000	450,000
Vuda	Drill test mine extensions at Natalau, progress resources definition at other targets	Natalau: 10 line km geophysics, 350m diamond drill testing (Yr1) District: 25 line km geophysics, 350m drill test (Yr1). Option for 500m diamond drilling in Yr2.	150,000	150,000	300,000

# GEOPACIFIC RESOURCES NL

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## DIRECTORS' REPORT (Continued)

### 12 Proposed Budgets for 2006 (Continued)

Project	Program Objective	Work Plan Highlights	Expenditures (A\$)		
			Year 1	Year 2	Total
Rakiraki*	Define gold resources at Tataiya, Qalau and 4300E	Broad spaced IP over Qalau and 4300E prospects (50 line km), then follow-up closer spaced IP (50 line km), 25 line km IP at Tataiya, 1500m RC drilling (Yr 1). Option for 1500m diamond drilling in Yr2.	150,000	100,000	250,000
New Projects	Generate new opportunities	Geological assessment of ranked project opportunities.	50,000	50,000	100,000
Administration	Sydney and Fiji (Nadi) office upkeep.	Office rental, telephone, stationary and other costs, computing, accounts, and other administration costs. Includes purchase of vehicle, computer and other hardware.	125,000	125,000	250,000
Salaries and Wages		Includes employment of Contract Geologists and office assistant and repayment of fees and expenses owing to Mr Brook (Section 11.5(b)).	183,000	147,000	330,000
Listing Fees	Estimated costs	Remaining expenses of the Issue and broker fees.	220,000	0	220,000
Totals			1,278,000	1,022,000	2,300,000

\* assumes joint venture contribution of equivalent funding

All proposed programs are subject to change in content, expenditure and schedule, depending on such variables as contractor availability, ongoing exploration results, weather and continued land access. Prior to carrying out exploration activities on any of the projects, Geopacific is required to enter compensation agreements with local landowners.

The budgets contain direct costs to be applied for exploration activities in each of the tenements. In the case of the Rakiraki JV, the budget assumes that the Joint Venture partners will elect to fund exploration activities to maintain their 50% interest. The projects, proposed exploration programs and associated expenditures are also described in the Independent Geologist's Report (Refer Prospectus on Geopacific's website [www.geopacific.com.au](http://www.geopacific.com.au)).

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## DIRECTORS' REPORT (Continued)

### 13 Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

To the directors of Geopacific Resources NL:

I declare that, to the best of my knowledge and belief, in relation to the audit of the financial year ended 31 December 2005 there have been:

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

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

**Stuart H Cameron**  
*Partner*

**Sydney**  
*5 May 2006*

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

**Dr R J Fountain**  
*Chairman*

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

**Sydney, Australia**  
*5 May 2006*

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

**Scope**

*The Financial Report and Directors' Responsibility*

The financial report comprises the balance sheets, income statements, statements of changes in equity, cash flow statements, accompanying notes to the financial statements (notes 1 to 27), and the directors' declaration, (set out on pages 24 to 44) for Geopacific Resources NL (the company), for the year ended 31 December 2005. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at years end or from time to time during the financial year.

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

**Audit Approach**

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

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

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

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

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

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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

**Audit Opinion**

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

- a** the Corporations Act 2001, including
  - i** giving a true and fair view of the company's and consolidated entity's financial position at 31 December 2005, and of their performance for the year ended on that date; and
  - ii** complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b** other mandatory financial reporting requirements in Australia.

**Inherent Uncertainty Regarding Continuation as a Going Concern**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 24 concerning the entity's continuing dependence on financial support from shareholders, as well as the accumulation of trading losses as disclosed in Note 16, there is significant uncertainty whether the entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report unless either financial support continues, or the listing detailed in Note 23 occurs.

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

**Sydney, Australia**  
*5 May 2006*

**Stuart H Cameron**  
*Partner*

# **GEOPACIFIC RESOURCES NL**

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## **DIRECTORS' DECLARATION**

In the opinion of the directors of Geopacific Resources NL:

- a** the financial statements and notes, set out on pages 25 to 44, are in accordance with the Corporations Act 2001, including:
  - i** giving a true and fair view of the financial position of the company and consolidated entity as at 31 December 2005 and of their performance, as represented by the results of their operations and their cash flows for the financial year ended on that date; and
  - ii** complying with Accounting Standards and the Corporations Regulations 2001; and
- b** there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable provided the company's shareholders continue their financial support or the listing detailed in Note 23 occurs.

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

**Dr R J Fountain**  
*Chairman*

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

**Sydney, Australia**  
*5 May 2006*

# GEOPACIFIC RESOURCES NL

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## INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenues from continuing operations	2	19,092	448	15,157	-
Total revenue from continuing operations	2	19,092	448	15,157	-
Depreciation expense	3	(504)	(1,913)	-	-
Borrowing costs	3	(462)	(594)	-	-
Unrealised foreign currency exchange loss	3	-	(29,624)	-	-
Provision for loss on investment	3	-	-	-	(248,258)
Administration expenses		(153,399)	(108,922)	(136,653)	(74,888)
<b>Loss before income tax expense</b>		(135,273)	(140,605)	(121,496)	(323,146)
Income tax expense	5	-	-	-	-
<b>NET LOSS FOR THE YEAR</b>		(135,273)	(140,605)	(121,496)	(323,146)

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

# GEOPACIFIC RESOURCES NL

ACN 003 208 393

and Controlled Entities

## BALANCE SHEETS AS AT 31 DECEMBER 2005

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	76,483	20,764	59,347	3,250
Receivables	7	232,669	68,768	205,858	50,631
<b>TOTAL CURRENT ASSETS</b>		<b>309,152</b>	<b>89,532</b>	<b>265,205</b>	<b>53,881</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	7	-	-	791,042	698,616
Exploration expenditure	8	866,032	779,878	-	-
Property, plant and equipment	9	3,585	3,372	-	-
Investments	10	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>869,617</b>	<b>783,250</b>	<b>791,042</b>	<b>698,616</b>
<b>TOTAL ASSETS</b>		<b>1,178,769</b>	<b>872,783</b>	<b>1,056,247</b>	<b>752,497</b>
<b>CURRENT LIABILITIES</b>					
Payables	11	167,333	156,072	38,138	42,892
Provisions	12	-	-	-	-
Interest bearing liabilities	13	280,000	100,000	280,000	100,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>447,333</b>	<b>256,072</b>	<b>318,138</b>	<b>142,892</b>
<b>TOTAL LIABILITIES</b>		<b>447,333</b>	<b>256,072</b>	<b>318,138</b>	<b>142,892</b>
<b>NET ASSETS</b>		<b>731,436</b>	<b>616,710</b>	<b>738,109</b>	<b>609,605</b>
<b>EQUITY</b>					
Contributed equity	14	3,894,118	3,644,118	3,894,118	3,644,118
Reserves	15	3,123	3,123	3,123	3,123
Accumulated losses	16	(3,165,805)	(3,030,531)	(3,159,132)	(3,037,636)
<b>TOTAL EQUITY</b>		<b>731,436</b>	<b>616,710</b>	<b>738,109</b>	<b>609,605</b>

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



# GEOPACIFIC RESOURCES NL

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## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR</b>		616,710	638,039	609,605	813,475
Loss for the year	16	(135,273)	(140,605)	(121,496)	(323,146)
Share capital issued	14	250,000	119,276	250,000	119,276
<b>TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR</b>		<u>731,437</u>	<u>616,710</u>	<u>738,109</u>	<u>609,605</u>

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

# GEOPACIFIC RESOURCES NL

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## CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts in the course of operations		437	408	-	-
Cash payments in the course of operations		(141,422)	(107,925)	(122,551)	(54,316)
Interest received		108	40	-	-
Interest paid		(462)	(594)	-	-
<b>Net Cash Used in Operating Activities</b>	22ii	<b>(141,339)</b>	<b>(108,071)</b>	<b>(122,551)</b>	<b>(54,316)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for plant and equipment		(717)	-	-	-
Proceeds from sale of plant and equipment		2,738	-	-	-
Advance from director		500	-	500	-
Loans advanced to related parties		-	-	(102,543)	(118,352)
Exploration expenditure capitalised		(86,154)	(47,653)	-	-
Prospectus Costs		(194,309)	-	(194,309)	-
<b>Net Cash Used in Investing Activities</b>		<b>(277,942)</b>	<b>(47,653)</b>	<b>(296,352)</b>	<b>(118,352)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from convertible notes issue		225,000	55,000	225,000	55,000
Proceeds from share issue		250,000	119,276	250,000	119,276
<b>Net Cash Provided by Financing Activities</b>		<b>475,000</b>	<b>174,276</b>	<b>475,000</b>	<b>174,276</b>
<b>NET INCREASE IN CASH HELD</b>					
		55,719	18,552	56,097	1,608
Cash and Cash Equivalents at the Beginning of the Financial Year		20,764	2,212	3,250	1,642
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	22i	<b>76,483</b>	<b>20,764</b>	<b>59,347</b>	<b>3,250</b>

**The accompanying notes form part of these financial statements.**

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 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.

#### a Basis of Preparation

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

##### *Compliance with IFRSs*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes of Geopacific Resources NL comply with International Financial Reporting Standards (IFRSs).

##### *Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

These financial statements are the first Geopacific Resources NL financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Geopacific Resources NL until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Geopacific Resources NL 2005 financial statements, management has amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the company's equity and its net income are given in note 26.

##### *Historical cost convention*

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

##### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### b Principles of Consolidation

##### *Controlled Entities*

The financial statements of controlled entities are included from the date control commences until the date control ceases.

##### *Transactions Eliminated on Consolidation*

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

#### c Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

#### d Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheets. Cash flows are included in the Cash Flow Statements on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### e Foreign Currency Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statements of financial performance in the financial year in which the exchange rates change.

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

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

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e Foreign Currency Translations (Continued)

##### (ii) Transactions and balances

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

#### f Borrowing Costs

Borrowing costs include interest and are expensed.

#### g 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 for each jurisdiction 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.

#### h Acquisitions of Assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

#### i Receivables

Receivables to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

#### j Investments

Investments are carried in the company's financial statements at the lower of cost or recoverable amount.

#### k Property, Plant and Equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **k Property, Plant and Equipment (Continued)**

Depreciation on other 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 and equipment      10 years

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

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

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

#### **l Impairment of assets**

Assets are tested annually for impairment. Assets that are subject to depreciation 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 flows (cash generating units).

#### **m Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

#### **n Provisions**

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

#### **o Mineral Tenements and Deferred Mineral Exploration Expenditure**

The consolidated entity 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.

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
and Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **o Mineral Tenements and Deferred Mineral Exploration Expenditure (Continued)**

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

#### **p Contributed equity**

Ordinary shares are classified as equity.

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2 REVENUE FROM CONTINUING OPERATIONS</b>				
Interest received	108	40	-	-
Net Gain on sale of assets	2,738	-	-	-
Unrealised foreign exchange gain	15,807	-	-	-
Other revenues	439	408	15,157	-
<b>Total revenue from continuing operations</b>	<b>19,092</b>	<b>448</b>	<b>15,157</b>	<b>-</b>

### 3 EXPENSES

Loss before income tax has been arrived at after charging the following items:

Depreciation	504	1,913	-	-
Borrowing costs	462	594	-	-
Unrealised foreign currency exchange (gain)/loss	(15,807)	29,624	-	-
Provision for loss on investment	-	-	-	248,258
Interest received	(108)	(40)	-	-

# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	\$	\$	\$	\$
<b>4 AUDITORS' REMUNERATION</b>				
Audit Services:				
Auditors of the company – Nexia Court & Co				
Audit of the financial report	12,412	10,171	12,412	10,171
Other Services – Prospectus	23,460	-	23,460	-
Other Auditors – Ernst & Young Fiji				
Audit of the financial report	4,045	4,540	-	-
<b>5 TAXATION</b>				
<b>a Income Tax Expense</b>				
Prima facie income tax benefit calculated at 30% on the loss from ordinary activities	(40,582)	(42,182)	(36,449)	(22,466)
Increase/(decrease) in income tax expense due to:				
Tax benefit on losses not recognised	40,582	42,182	36,449	22,466
<b>Income Tax Expense</b>	-	-	-	-
<b>b Deferred tax assets</b>				
<i>Future income tax benefit not taken into account</i>				
The potential future income tax benefit arising from tax losses has not been recognised as an asset because recovery of tax losses is not virtually certain.				
Tax losses carried forward	119,595	86,146	119,595	86,146

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

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



# GEOPACIFIC RESOURCES NL

ACN 003 208 393  
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>6 CASH AND CASH EQUIVALENTS</b>				
<b>Current</b>				
Cash at bank	76,483	20,764	59,347	3,250
<b>7 RECEIVABLES</b>				
<b>Current</b>				
Short term deposits	24,477	15,867	-	-
Sundry debtors	2,334	2,270	-	-
GST receivable	11,549	5,631	11,549	5,631
Other debtor – Finders Resources Ltd	-	45,000	-	45,000
Capitalised IPO Costs	194,309	-	194,309	-
	<u>232,669</u>	<u>68,768</u>	<u>205,858</u>	<u>50,631</u>
<b>Non-Current</b>				
Amount owing by Geopacific Limited	-	-	791,042	698,616
	<u>-</u>	<u>-</u>	<u>791,042</u>	<u>698,616</u>

# GEOPACIFIC RESOURCES NL

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 8 EXPLORATION EXPENDITURE

#### Non-Current

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

		<b>Consolidated</b>		<b>The Company</b>	
		<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
		\$	\$	\$	\$
	<b>Beneficial Interest of the Consolidated Entity</b>				
<b>Tenement</b>					
SPL 1377 Nuku	100%	362,638	350,203	-	-
SPL 1434 Nadi South	100%	372,574	371,961	-	-
SPL 1368 Vuda	80%	38,201	17,916	-	-
SPL 1361 Sabeto	100%	9,226	-	-	-
CX 667 Nadovu	100%	6,919	-	-	-
		789,558	740,080	-	-
Rakiraki Joint Venture (SPL 1231, 1373, 1436)	50%	76,474	39,798	-	-
		866,032	779,878	-	-

### 9 PROPERTY, PLANT AND EQUIPMENT

#### Non-Current

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

*Less:* Provision for depreciation

	7,367	23,469	-	-
	(3,782)	(20,097)	-	-
	3,585	3,372	-	-
<b>Movement</b>				
Carrying value – beginning of year	3,372	5,285	-	-
Additions	717	-	-	-
Depreciation	(504)	(1,913)	-	-
Carrying value – end of year	3,585	3,372	-	-

# GEOPACIFIC RESOURCES NL

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>10 INVESTMENTS</b>				
<b>Non-Current</b>				
<i>Investments in Unlisted Securities</i>				
. Shares in Beta Limited	-	-	15,372	15,372
. Shares in Geopacific Limited	-	-	1,866,993	1,866,993
Provision for loss on investment	-	-	(1,882,365)	(1,882,365)
	-	-	-	-
<b>11 PAYABLES</b>				
<b>Current</b>				
Sundry creditors and accruals	41,858	53,044	37,638	42,892
Directors fees owed	124,975	103,028		
Advance from director – This loan is unsecured and interest free	500	-	500	-
	167,333	156,072	38,138	42,892
<b>12 PROVISIONS</b>				
<b>Current</b>				
Income tax	-	-	-	-
<b>13 INTEREST BEARING LIABILITIES</b>				
<b>Current</b>				
Convertible Notes – Finders Resources Ltd	280,000	100,000	280,000	100,000
<b>14 CONTRIBUTED EQUITY</b>				
<b>Issued Capital</b>				
Balance as at 1 January	3,644,118	3,524,842	3,644,118	3,524,842
Issues during period:				
750,000 at 10 cents	75,000	-	75,000	-
750,000 at 10 cents	75,000	-	75,000	-
750,000 at 10 cents	75,000	-	75,000	-
250,000 at 10 cents	25,000	-	25,000	-
1,847,553 at 3.75 cents		69,276		69,276
1,666,667 at 3 cents		50,000		50,000
Balance as at 31 December	3,894,118	3,644,118	3,894,118	3,644,118

# GEOPACIFIC RESOURCES NL

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 14 CONTRIBUTED EQUITY (Continued)

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

- 23,516,219 fully paid ordinary shares, and
- 14,286 contributing shares paid to 10.5 cents.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>15 RESERVES</b>				
Forfeited Share Reserve	3,123	3,123	3,123	3,123
<b>16 ACCUMULATED LOSSES</b>				
Accumulated losses at the beginning of the year	(3,030,531)	(2,889,926)	(3,037,636)	(2,714,490)
Net loss	(135,273)	(140,605)	(121,496)	(323,146)
Accumulated losses at the end of the year	(3,165,805)	(3,030,531)	(3,159,132)	(3,037,636)

### 17 FINANCIAL RISK MANAGEMENT

The consolidated entity'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 and fair value interest rate risk. The consolidated entity's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

#### a Market risk

##### (i) 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 consolidated entity's functional currency.

##### (ii) Fair value interest rate risk

Refer to (d) below.

#### b Credit risk

The consolidated entity has no significant concentrations of credit risk. The consolidated entity has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

# GEOPACIFIC RESOURCES NL

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 17 FINANCIAL RISK MANAGEMENT (Continued)

**c Liquidity risk**

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

**d Cash flow and fair value interest rate risk**

The consolidated entity has mineral interest bearing assets, therefore the company's income and operating cash flows have minor exposure to changes in market interest rates.

### 18 COMMITMENTS AND CONTINGENT LIABILITIES

*Commitments*

Entities in the consolidated entity are committed to expenditure by way of cash to retain their interests in its Special Prospecting Licences detailed in points 11 and 12 of the Directors Report.

As noted in Point 10 of the Directors Report the planned listing on the Australian Stock Exchange will give rise to a number of commitments.

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

- \$10,000 Australian within two weeks of the date of listing.
- \$34,000 Australian on the first anniversary of the listing date.

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

- \$5,000 Fijian within two weeks of the date of listing.
- \$10,000 Fijian on or before the first anniversary of the listing date.
- \$30,000 Fijian on or before the second anniversary of the listing date.

Also upon successful listing on the ASX, the following directors fees will fall due:

- W A Brook; \$124,975 owing from 31 December 2005 (refer Note 11), plus \$5,000 per month from January 2006 until listing date.

*Contingent Liabilities*

Both of the Options described above give rise to contingent liabilities. Any failure by GPL to make these payments described above, or failure to meet the minimum expenditure commitments in respect of the Tenement or to maintain the Tenement in good standing, may result in GPL forfeiting their rights under the options. In this instance GPL would be required to pay the Option exercise price as follows:

- Vuda Option: \$512,000 Australian dollars
- Sabeto Option: \$200,000 Fijian dollars

# GEOPACIFIC RESOURCES NL

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and Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 19 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

	Class of Share	Holding Company		Amount of Investment	
		2005 %	2004 %	2005 \$	2004 \$
Beta Limited	Ordinary	100	100	15,372	15,372
Geopacific Limited	Ordinary	100	100	1,866,993	1,866,993
				<u>1,882,365</u>	<u>1,882,365</u>

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

### 20 DIRECTORS DISCLOSURES

#### Directors

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

I J Pringle  
R J Fountain  
W A Brook  
I N A Simpson  
C K McCabe  
R H Probert

#### Directors Loans

	2005 \$	2004 \$
I J Pringle	500	-

The loan is unsecured and interest free.

#### Directors Fees Owing

	2005 \$	2004 \$
W A Brook	124,975	103,028

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 20 DIRECTORS DISCLOSURES (Continued)

#### Interest of Directors

The aggregate number of shares held as at 31 December 2005 directly, indirectly or beneficially by directors of Geopacific Resources NL or by their director-related entities classified by issuing entity was:

	Geopacific Resources NL		Geopacific Limited	
	2005	2004	2005	2004
R J Fountain	-	-	-	-
I J Pringle	-	-	-	-
W A Brook	4,591,083	10,198,862	1	1
I N A Simpson	692,695	1,454,659	1	1
R H Probert	589,454	1,237,854	1	1
C K McCabe	595,238	1,250,000	-	-

Directors shares in Geopacific Limited were held in trust for Geopacific Resources NL.

R J Fountain is a Director of, and holds shares in Finders Resources Ltd (formerly Finders Capital Ltd) which holds Convertible Notes and shares in Geopacific Resources NL, details of which are set out in the Directors' Report.

#### Directors Options

Options issued to Ian J Pringle & Associates Pty Ltd, a company controlled by Dr Pringle, were granted on the terms and conditions as set out at point 9 of the Directors' Report.

Because the requisite conditions of the options had not been reached as at 31 December 2005, (that is, the entity was not yet listed on the Australian Stock Exchange), the options did not constitute a benefit to Dr Pringle that had to be expensed by the consolidated entity in the 2005 year.

When the vesting period of the options begins, which is on Listing Date, the entity will begin to recognise an expense by using an appropriate option pricing model as set out in AASB 2 'Share-Based Payments'.

The entity has performed preliminary calculations using the guidance of AASB 2 to estimate the impact on the financial statements of the options issued to Dr Pringle. Findings are:

Expense to be incurred in 2006	\$ 41,474
Total value of options	\$102,050

# GEOPACIFIC RESOURCES NL

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 20 DIRECTORS DISCLOSURES (Continued)

Many assumptions are inherent in these estimations and as such they are subject to significant fluctuation. Assumptions have had to be made about:

- The volatility of the share price. Data from ASIC and from similar entities has been used in the absence of historical share price movements for this entity.
- The likelihood of Dr Pringle meeting the vesting conditions.
- The risk-free interest rate.

#### Key Management Personnel Compensation

Identification of Key Management Personnel

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

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

Total Compensation for Key Management Personnel as Defined by AASB 119 "Employee Benefits".

	Salary /Fees (Incl. paid leave)	Other Benefits	Superannuation	Total
<b>2005</b>				
R H Probert	Nil	Nil	Nil	Nil
W A Brook	27,564	4,465	Nil	32,029
I J Pringle	25,050	Nil	Nil	Nil
I N A Simpson	Nil	Nil	Nil	Nil
R J Sovau	Nil	Nil	Nil	Nil
<b>2004</b>				
R H Probert	Nil	Nil	Nil	Nil
W A Brook	59,111	7,367	Nil	66,478
I J Pringle	14,450	Nil	Nil	14,450
I N A Simpson	Nil	Nil	Nil	Nil
R J Sovau	Nil	Nil	Nil	Nil

### 21 RELATED PARTY TRANSACTIONS

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



# GEOPACIFIC RESOURCES NL

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 22 NOTES TO THE CASH FLOW STATEMENTS

- i For the purpose of the Cash Flow Statements, cash and cash equivalents includes cash at bank.

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

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash at Bank	76,483	20,764	59,347	3,250

ii **Reconciliation of Net Loss to Net  
Cash Used in Operating Activities**

Net Loss	(135,273)	(140,605)	(121,496)	(323,146)
Depreciation	504	1,913	-	-
Provision for loss on investment	-	-	-	248,258
Net gain on sale of assets	(2,738)	-	-	-
<b>Changes in Assets and Liabilities:</b>				
(Decrease)/increase in receivables	(14,592)	(7,163)	(5,918)	(5,631)
Increase/(decrease) in payables	10,760	37,784	4,863	26,203
<b>Net Cash Used in Operating Activities</b>	<b>(141,339)</b>	<b>(108,071)</b>	<b>(122,551)</b>	<b>(54,316)</b>

### 23 EVENTS SUBSEQUENT TO BALANCE DATE

In April 2006, the Convertible Notes issued to Finders Resources as discussed in Note 13, were converted from 280,000 Notes to 4,233,333 ordinary shares of 6.6 cents each. As a result, the balance of Interest-Bearing Liabilities was reduced from \$280,000 to \$Nil. The balance of Contributed Equity has increased by a corresponding amount of \$280,000.

Also in April 2006, the entity has raised sufficient funds, being \$2.3 million (as set out in its 2005 Prospectus) to list on the Australian Stock Exchange. The listing will occur two days after the 2005 financial statements are lodged with the Australian Securities and Investment Commission (ASIC). This planned listing gives rise to several commitments and contingent liabilities as discussed in Note 18.

# **GEOPACIFIC RESOURCES NL**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

### **24 ECONOMIC DEPENDENCE**

The future viability of the company is dependent on continuing support from shareholders and investors. At the date of this report the directors have no reason to believe that this support will not be forthcoming.

In addition, the company has no reason to doubt that normal credit and borrowing facilities will not continue to be provided by creditors and lenders and the company will continue to be able to comply with these credit terms and there are no material contingent liabilities which could have an effect on the company's financial position.

### **25 SEGMENT INFORMATION**

The consolidated entity operates in one business segment being mineral exploration in Fiji.

### **26 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS'S**

This financial report has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS). In prior financial years, the financial reports of Geopacific Resources NL had been prepared under Australian Generally Accepting Accounting Principles (AGAAP).

As a result the presentation of the financial statements generally and of some disclosures have changed in accordance with AASB 101 – Presentation of Financial Statements and various other standards as applicable. However, the directors are of the opinion that had AIFRS been applied at transition date (1 January 2004) or the end of the prior financial year (31 December 2004) that none of the balances disclosed in prior financial reports would have been different to those disclosed under AGAAP.

As such no Reconciliation of Equity and no Reconciliation of Profit is included.

### **27 MINING TENEMENTS**

Further to Note 26 the consolidated entity has for the first time applied the Australian Equivalent to International Standards in relation to extractive industries.

Applying this standard has not resulted in any change in the recognition or measurement of exploration and evaluation expenditures.

All disclosure requirements of the extractive industry standard have been met throughout this report.