



AUSTPAC RESOURCES N.L.

ACN 002 264 057
ABN 87 002 264 057

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15 March 2018

The Manager
Company Announcements
Australian Stock Exchange Limited
Exchange Centre
Level 6
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

RE: AUSTPAC RESOURCES N.L.
HALF-YEARLY REPORT 31 DECEMBER 2017

We are pleased to provide Stock Exchange half-yearly report 4D for period ended 31 December 2017 together with the Auditors Review report.

Yours faithfully

N.J. Gaston
Company Secretary

enc

Austpac Resources N.L. and its Controlled Entities
Half-year ended 31 December 2017
ABN 87 002 264 057

Appendix 4D
Results for announcement to the market

| | | | | \$ |
|-------------------------------------|------|------|----|---------|
| Revenue | 0 | 0 | To | 0 |
| Loss before tax | Down | 25% | To | 840,473 |
| Loss attributable to equity holders | Up | 318% | To | 840,473 |

No dividend has been paid or proposed for the six-month period ended 31 December 2017.

Review of operations

Commentary on the results of the consolidated entity has been included in the Directors' Report.

| | As at 31 December 2017 | As at 31 December 2016 |
|---|------------------------|------------------------|
| Net tangible asset per security (cents) | (0.05) | 0.05 |

**AUSTPAC RESOURCES N.L.
AND ITS CONTROLLED ENTITIES**

ABN 87 002 264 057

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2017

Austpac Resources N.L. and its controlled entities

Directors' Report

The directors present their report together with the consolidated financial statements for the half-year ended 31 December 2017 and the auditor's review report thereon.

Directors

The directors of the Company during the half-year are:

| <i>Name</i> | <i>Period of Directorship</i> |
|---------------------------------------|---|
| Non-executive Mr Terry Cuthbertson | Director since March 2001, Chairman since May 2004 |
| Non-executive Mr Robert Harrison | Director since 1 September 2004 – retired 31 October 2017 |
| Executive Mr Michael J. Turbott | Managing Director since March 1985 |
| Non-executive Mr Colin Iles | Director since 14 March 2017 |

Review and Results of Operations

The net result of operations after applicable income tax benefit for the half-year was a loss of \$840,473 (2016: profit of \$386,420).

Negotiations conducted throughout the December 2017 quarter culminated on 10th January 2018, when Austpac Resources NL signed a \$1 million investment agreement with Bergen Global Opportunity Fund II, LLC, a New York-based institutional investor managed by Bergen Asset Management, LLC.

Under the agreement, Bergen made an initial investment of A\$500,000 immediately and will invest a further A\$500,000 in 90 days, each by way of an interest-free unsecured converting security with a 24-month maturity.

The funds will be used to complete the testwork program which commenced in 2017 at Austpac's Newcastle facilities. The program will demonstrate that the Company's unique, four-stage Zinc Iron Recovery Process (ZIRP), which combines iron and zinc oxide-rich furnace dusts with spent pickle liquor (SPL) from the steel industry, can commercially produce pig iron, zinc oxide and strong hydrochloric acid. Details of activities and timing of the program are described below. Australian steelmakers are interested in the success of the program and are supplying sufficient quantities of feedstock for the testwork.

At the conclusion of the program, Austpac will convert the plant to a facility capable of processing up to 15,000 tpa of steel furnace dusts on a commercial basis and to progress the development and licencing of its proprietary technology.

Once the testwork program has been completed, Bergen may also consider more significant project finance.

In January 2018, Austpac Resources NL also completed a placement of 30,000,000 fully paid ordinary Austpac Resources NL shares to professional investors at 1 cent each to raise \$300,000 for working capital and to progress the process testwork program at Newcastle Zinc Iron Recovery Plant.

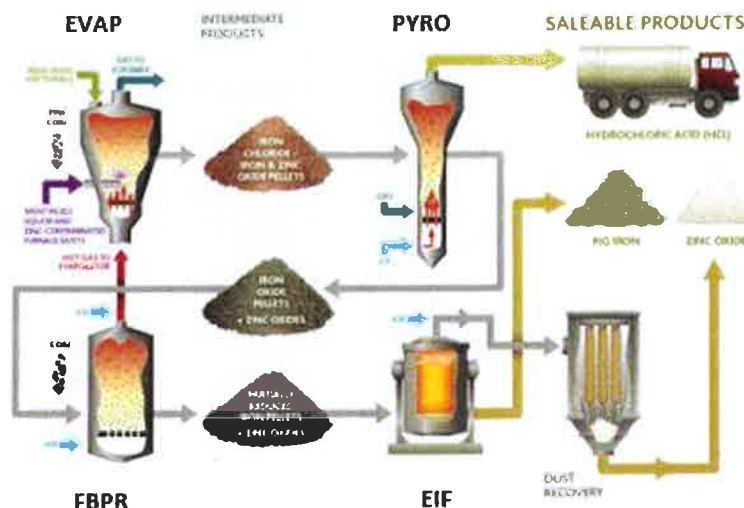
Negotiations continue with Australian steel producers regarding the application of the ZIRP, including the exchange of technical data and ongoing discussions regarding the use of the technology. The potential use of the technology in the worldwide steel industry is immense and Austpac is focused on its commercialization with both local and offshore industry participants.

In August 2017 Austpac received an R&D tax concession refund of \$430,325.

NEWCASTLE ZINC & IRON RECOVERY PLANT (NZIRP)

The testwork program at Newcastle which commenced in 2017, is designed to commercially demonstrate that pig iron, zinc oxide and strong hydrochloric acid (HCl) can be produced from steel industry by-products using ZIRP technology. The program entails processing at least 20 tonnes of iron oxide/zinc oxide-rich furnace dusts and SPL through the four process steps; Evaporation (EVAP), Pyrohydrolysis (PYRO), Fluid Bed Pre-Reduction (FBPR) and an Electric Induction Furnace (EIF). The recent investment agreement with Bergen ensures the testwork program will be undertaken during the first half of 2018.

Austpac Resources N.L. and its controlled entities



Each stage of the testwork program will process all the furnace dusts and SPL supplied by local steel makers in a simulated continuous campaign. The first three process steps are being undertaken at the Newcastle plant using both modified existing equipment and new purpose-designed equipment.

The EVAP unit was extensively modified and commissioned during the second half of 2017, and a further commissioning run is planned during the first quarter of 2018 to test further refinements that were made to the unit.

The PYRO and FBPR stages will use the same fluid bed roaster operated sequentially. An existing roaster is being modified for these dual duties and fabrication of the long lead time item, the refractory-lined lower body and plenum, is underway and it will be delivered to the Newcastle plant in April 2018. Other shorter lead time items, such as the refractory-lined roaster cap and off-gas ductwork for the roaster, are either in the final design stage or are being ordered.

Installation and commissioning of the roaster is expected to take 4 weeks, following which temporary staff will be hired for the continuous production run for each process stage. Products from each stage will be stored until required for the next stage's production run. The FBPR production run, the third process stage, is scheduled to be completed by June 2018 and the aim is to produce at least 5 tonnes of pre-reduced iron oxide/zinc oxide pellets for testing in an EIF.

A commercial foundry with a number of EIFs will conduct a series of melt tests using the FBPR pellets. Molten iron will be cast into pigs (molds) and the zinc oxide evolved from the furnace will be captured using a baghouse. This will establish the quality of both the iron and zinc oxide, as well as any slag produced during melting.

Technical personnel from Australian steelmakers have advised they wish to observe the process production runs at Newcastle to obtain a better understanding of the technology. This is encouraging as the anticipated success of the test program will lead to commercial opportunities with interested groups.

Electric arc furnaces that use galvanized scrap metal generate large volumes of zinc-contaminated furnace dusts, which create a costly disposal problem for the steel maker. ZIRP is the only technology able to address this problem by recycling furnace dusts and SPL to recover three valuable commodities, thus enhancing the profits of steel makers. The worldwide potential use of the technology in the steel industry is immense and Austpac is continues to pursue its commercialization with both local and offshore industry participants.

EL 5291 Nhill

During 2017, Austpac completed a vertical drill hole within EL 5291 to test the basement rocks below a thick sequence of Murray Basin sediments. The hole was co-funded by the Victorian Government under the TARGET Minerals Exploration initiative to encourage exploration in western Victoria. DH GG-01 passed through 248.9m of overlying sediments before encountering competent basement. Diamond core drilling was then used to continue the hole for a further 75.6m before being terminated at 324.5m.

The basement consists primarily of basaltic volcanics which, apart from two very narrow sections, have been strongly to intensely altered and demagnetised by hydrothermal fluids. The alteration is accompanied by sulphide mineralisation, deposited primarily as pyrite (iron sulphide) in fractures, along breccia boundaries and in vughs/amygdales (voids). The pyrite is often accompanied by significant amounts of sphalerite (zinc sulphide) and minor amounts of finely disseminated chalcopyrite (copper sulphide) and anomalous gold.

Austpac Resources N.L. and its controlled entities

Analyses of the core samples are very encouraging. Two intervals contain abundant visible sphalerite and pyrite mineralisation:

- 0.5m at 3.6% Zn with 0.44 g/t Au (intercept downhole from 308.0m to 308.5m).
- 0.5m at 1.2% Zn with 0.20 g/t Au (intercept downhole from 324.0m to 324.5m - EOH).

Technical details regarding the sampling and analytical procedures used are described in detail in Austpac's Quarterly Report to the ASX dated 30 July 2017.

The mineralisation encountered in GG-01 is highly encouraging considering it is the first core hole drilled into the basement demagnetised volcanics in this untested terrain. The basaltic volcanics encountered in this drill hole are considered analogous to parts of the Cambrian Mount Stavely Volcanic Complex, ~170km to the southeast, where porphyry-style copper-gold mineralisation has been discovered by Stavely Minerals, who recently announced very encouraging copper and gold intercepts.

The pervasive alteration and highly anomalous zinc mineralisation (up to 3.6% Zn and 0.44g/t Au) is the result of the introduction of metal-rich fluids into permeable fractures and breccia zones. The mineral assemblage observed is typical of the outer halo of a hydrothermal system, the source of which is offset from the drill hole. Follow-up drilling is required to locate the source in this mineralisation, which could be a porphyry copper-gold and/or volcanic-hosted massive sulphide system.

Mining Exploration Entities:

EL 5291 (Nhill); Located between Nhill and Dimboola, Victoria; 100% Austpac Resources N.L.

Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half-year ended 31 December 2017.

Subsequent Events

Subsequent to 31 December 2017, there has not arisen in the interval between 31 December 2017 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the consolidated entity in future financial years other than:

- i) In January 2018, Austpac Resources NL placed 30,000,000 fully paid ordinary Austpac Resources NL shares at 1 cent each to professional investors raising \$300,000;
- ii) In January 2018 Bergen Global Opportunity Fund II, LLC, a New York based institutional investor agreed to a \$1 million investment in Austpac Resources NL provided by an initial \$500,000 unsecured converting note paid in cash on 11 January 2018 and a further \$500,000 converting note to be paid in cash on 11 April 2018. The converting notes are convertible at the sole discretion of Bergen Global Opportunity Fund II, LLC and will convert to a variable number of Austpac shares.

Signed in accordance with a Resolution of the Directors on 15 March 2018.



M.J. Turbott
Managing Director



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

To the Directors of Austpac Resources N.L.

I declare that, to the best of my knowledge and belief, in relation to the review of Austpac Resources N.L. for the half-year ended 31 December 2017 there have been:

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

KPMG

Daniel Camilleri
Partner

Sydney

15 March 2018

Austpac Resources N.L. and its controlled entities

Condensed consolidated statement of profit or loss and other comprehensive income For the half-year ended 31 December 2017

| | Note | 6 months ended 31 Dec 2017 \$ | 6 months ended 31 Dec 2016 \$ |
|---|------|-------------------------------------|-------------------------------------|
| Administrative expenses | | (838,386) | (1,116,962) |
| Results from operating activities | | (838,386) | (1,116,962) |
| Finance income | | 3,344 | 2,357 |
| Finance expenses | | (5,431) | (5,527) |
| Net financing expense | | (2,087) | (3,170) |
| Loss before tax | | (840,473) | (1,120,132) |
| Income tax benefit | 7 | - | 1,506,552 |
| Net (loss)/ profit for the period | | (840,473) | 386,420 |
| Other comprehensive income for the period net of income tax | | - | - |
| Total comprehensive (loss)/profit for the period | | (840,473) | 386,420 |
| Basic and diluted (loss)/ profit per share Cents | | (0.05) | 0.03 |

The condensed consolidated statement of comprehensive income is to be read in conjunction with the condensed notes to the half-year financial report set out on pages 10 to 11.

Austpac Resources N.L. and its controlled entities

Condensed consolidated statement of changes in equity For the half-year ended 31 December 2017

| | Issued Capital \$ | Accumulated Losses \$ | Total Equity \$ |
|---|-------------------------|-----------------------------|--------------------|
| Balance at 1 July 2016 | 86,063,392 | (50,670,775) | 35,392,617 |
| Profit for the period | - | 386,420 | 386,420 |
| Other comprehensive income for the period | - | - | - |
| Issue of ordinary shares | 250,000 | - | 250,000 |
| Balance at 31 December 2016 | 86,313,392 | (50,284,355) | 36,029,037 |
| Balance at 1 July 2017 | 86,503,392 | (59,761,815) | 26,741,577 |
| Loss for the period | - | (840,473) | (840,473) |
| Other comprehensive income for the period | - | - | - |
| Issue of ordinary shares | - | - | - |
| Balance at 31 December 2017 | 86,503,392 | (60,602,288) | 25,901,104 |

The condensed consolidated statement of changes in equity is to be read in conjunction with the condensed notes to the half-year financial report set out on pages 10 to 11.

Austpac Resources N.L. and its controlled entities
Condensed consolidated statement of financial position
As at 31 December 2017

| | Note | 31 Dec 2017 \$ | 30 June 2017 \$ |
|--|------|-------------------|--------------------|
| Current Assets | | | |
| Cash and cash equivalents | | 188,745 | 494,440 |
| Trade and other receivables | | 1,999 | 691,323 |
| Total Current Assets | | <u>190,744</u> | <u>1,185,763</u> |
| Non-Current Assets | | | |
| Property, plant and equipment | | 138,184 | 159,301 |
| Intangible assets | 8 | 26,660,529 | 26,500,000 |
| Total Non-Current Assets | | <u>26,798,713</u> | <u>26,659,301</u> |
| Total Assets | | <u>26,989,457</u> | <u>27,845,064</u> |
| Current Liabilities | | | |
| Trade and other payables | | 252,267 | 171,489 |
| Interest-bearing loans and borrowings | | 62,005 | 44,529 |
| Employee benefits | | 677,253 | 750,896 |
| Total Current Liabilities | | <u>991,525</u> | <u>966,914</u> |
| Non-Current Liabilities | | | |
| Interest-bearing loans and borrowings | | 96,828 | 136,573 |
| Total Non-Current Liabilities | | <u>96,828</u> | <u>136,573</u> |
| Total Liabilities | | <u>1,088,353</u> | <u>1,103,487</u> |
| Net Assets | | <u>25,901,104</u> | <u>26,741,577</u> |
| Equity | | | |
| Issued capital | | 86,503,392 | 86,503,392 |
| Accumulated losses | | (60,602,288) | (59,761,815) |
| Total equity attributable to equity holders of the parent | | <u>25,901,104</u> | <u>26,741,577</u> |

The condensed consolidated statement of financial position is to be read in conjunction with the condensed notes to the half-year financial report set out on pages 10 to 11.

Austpac Resources N.L. and its controlled entities
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2017

| | 6 months ended 31 Dec 2017 \$ | 6 months ended 31 Dec 2016 \$ |
|--|-------------------------------------|-------------------------------------|
| Cash flows from Operating Activities | | |
| Cash paid to suppliers and employees | (665,665) | (926,787) |
| Interest received | 3,344 | 2,357 |
| Interest paid | (5,431) | (5,527) |
| Income tax refund received | 430,325 | 266,866 |
| Net cash (used in) operating activities | <u>(237,427)</u> | <u>(663,091)</u> |
| Cash flows from investing activities | | |
| Proceeds from sale of PPE | - | 40,000 |
| Payments for mineral technology development | (160,529) | (28,977) |
| Net cash (used in) / provided by investing activities | <u>(160,529)</u> | <u>11,023</u> |
| Cash flows from financing activities | | |
| Proceeds from the issue of share capital | 109,000 | 250,000 |
| Payment of finance lease liabilities | (16,739) | (42,015) |
| Net cash provided by financing activities | <u>92,261</u> | <u>207,985</u> |
| Net increase/(decrease) in cash held | (305,695) | (444,083) |
| Cash and cash equivalents at 1 July 2017 | 494,440 | 612,551 |
| Cash and cash equivalents at 31 December 2017 | <u>188,745</u> | <u>168,468</u> |

The condensed consolidated statement of cash flows is to be read in conjunction with the condensed notes to the half-year financial report set out on pages 10 to 11.

Austpac Resources N.L. and its controlled entities

Condensed notes to the half-year financial report

1. Reporting Entity

Austpac Resources N.L. (the “Company”) is a company domiciled in Australia. The half-year financial report of the Company as at and for the six months ended 31 December 2017 comprises the Company and its subsidiaries (the “consolidated entity”).

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2017 is available upon request from the Company’s registered office.

2. Statement of Compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

The half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2017.

This half-year financial report was approved by the Board of Directors on 15 March 2018.

3. Significant Accounting Policies

The accounting policies applied by the consolidated entity in this half-year financial report are the same as those applied by the consolidated entity in its consolidated annual financial report as at and for the year ended 30 June 2017.

The half-year financial report is presented in Australian dollars.

4. Estimates

The preparation of the half-year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgements made by management in applying the consolidated entity’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2017.

5. Going Concern

The half-year financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the consolidated entity will be able to fund future operations through the funding offered by potential new investors, share issues, the successful commercialisation of mineral technologies or the sale of surplus assets.

Without the receipt of funding offered by potential new investors, share issues, successful commercialisation of mineral technologies, sale of surplus assets, or a combination of these events the consolidated entity may not be able to continue as a going concern. These circumstances indicate there is a material uncertainty as to whether the consolidated entity will be able to continue as a going concern.

If the consolidated entity is unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities in order to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the half-year financial report.

Austpac Resources N.L. and its controlled entities

Condensed notes to the half-year financial report

6. Segment Reporting

The Company operates in one segment only, being Mineral Sands and Mineral Sands Technology Development in Australia.

7. Income Tax Benefit

In July 2017 Austpac received an R&D tax concession refund of \$430,325. The Company lodged the R&D claim in June 2017 and the tax benefit was recorded in the June 2017 financial period. No R&D claims have been lodged during the period \$nil (31 December 2016: \$1,506,552).

8. Intangible Assets

The carrying value of Intangible assets at 31 December 2017 is \$26,660,529 (30 June 2017 : \$26,500,000).

The recoverable amount of mineral technology development assets was based on a value in use model at 30 June 2017. There have been no indications of impairment at 31 December 2017. Key assumptions used in the valuation of the mineral technology development assets include cash flow estimates for five years of both product and licence cash inflows and a terminal value based on a NIL growth rate. A discount rate of 22% (post tax) was used to discount these cashflows. A reasonably possible change in key assumptions including the quantum and timing of product and licence cash flows, or a change in the discount rate could result in impairment.

Austpac Resources N.L. mineral technology development relates to the Newcastle Iron Recovery Plant which employs the E.A.R.S acid regeneration technology, as well as ERMS mineral technology development. The ultimate recoupment of costs carried forward are dependent upon the successful development and commercialisation of the technology.

9. Capital and Reserves

As at 31 December 2017 there are 1,528,660,976 shares issued (30 June 2017: 1,528,660,976).

Dividends

No dividends were declared or paid by the consolidated entity during the period (2016 : nil).

Terms and Conditions

Ordinary Shares

Holders of fully paid ordinary shares are entitled to receive dividends if declared and are entitled to one vote per share at shareholders meetings.

Partly Paid Shares

Holders of Austpac Resources N.L. Employee Share Purchase plan shares are entitled to the same rights as ordinary shareholders, including entitlements to dividends if declared, once the shares are paid in full. The amount of unpaid capital is \$3,757,983 (June 2017: \$3,866,983). In the event of winding up, ordinary shareholders rank after creditors.

10. Events subsequent to balance date

Subsequent to 31 December 2017, there has not arisen in the interval between 31 December 2017 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the consolidated entity in future financial years other than:

- i) In January 2018, Austpac Resources NL placed 30,000,000 fully paid ordinary Austpac Resources NL shares at 1 cent each to professional investors raising \$300,000 for working capital and progression of the Newcastle Zinc Iron Recovery Plant and international applications of Austpac technologies;
- ii) In January 2018 Bergen Global Opportunity Fund II, LLC, a New York based institutional investor agreed to a \$1 million investment in Austpac Resources NL provided by an initial \$500,000 unsecured converting note paid in cash on 11 January 2018 and a further \$500,000 converting note to be paid in cash on 11 April 2018. The converting notes are convertible at the sole discretion of Bergen Global Opportunity Fund II, LLC and will convert to a variable number of Austpac shares.

11. Financial Risk Management

Aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2017. The carrying amount of the Group's financial assets and liabilities equals their respective fair values as at 31 December 2017.

Austpac Resources N.L. and its controlled entities

Directors' Declaration

In the opinion of the directors of Austpac Resources N.L. ("the Company"):

- (a) the financial statements and notes, set out on pages 6 to 11, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting 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.

Dated at Sydney this fifteenth day of March 2018.

Signed in accordance with a resolution of the directors:



Michael J. Turbott
Managing Director



Independent Auditor's Review Report

To the shareholders of Austpac Resources N.L.

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Austpac Resources N.L.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Austpac Resources N.L. is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Austpac Resources N.L. (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Material uncertainty related to going concern

Without modifying our opinion, attention is drawn to the director's assessment of going concern in Note 5 of the Half-year Financial Report. The matters outlined in Note 5 indicate the existence of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Half-year Financial Report.



Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Austpac Resources N.L. *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Daniel Camilleri

Partner

Sydney

15 March 2018