AUSTPAC RESOURCES N.L.
ACN 002 264 057
Level 3
62 Pitt Street
SYDNEY NSW 2000
GPO Box 5297
SYDNEY NSW 2001
Telephone: (+61 2) 9252 2599
Facsimile: (+61 2) 9252 8299
Email: apgtio2@ozemail.com.au
www.austpacresources.com

28 August 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 NL
PRELIMINARY FINAL REPORT 30 JUNE 2018

We are pleased to provide Australian Stock Exchange preliminary final report for the year ended 30 June 2018.

Yours faithfully

N.J. Gaston
Company Secretary

enc

Rules 4.3A

Appendix 4E

Preliminary final report

Name of entity

AUSTPAC RESOURCES N.L.

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
87 002 264 057		X	30 June 2018

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1). $A'000

Revenues from ordinary activities *(item 1.1)*			to	-
Loss from ordinary activities after tax attributable to members (*item 1.22*)	Down	83.3%	to	1,518
Profit/Loss from extraordinary items after tax attributable to members (*item 2.5(d))*				-
Loss for the period attributable to members *(item 1.11)*	Down	83.3%	to	1,518

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend *(Preliminary final report only – item 15.4)*	N/A ¢	N/A ¢
Previous corresponding period *(Preliminary final report – item 15.5)*	N/A ¢	N/A ¢

+Record date for determining entitlements to the dividend,
(in the case of a trust, distribution) *(see item 15.2)*: N/A

Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial performance

		Current period - $A'000	Previous corresponding period - $A'000
1.1	Revenues from ordinary activities *(see items 1.23 -1.25)*	-	-
1.2	Expenses from ordinary activities (*see items 1.26 & 1.27)*	(1,518)	(11,027)
1.3	Borrowing costs	-	-
1.4	Share of net profits (losses) of associates and joint venture entities (*see item 16.7*)	-	-
1.5	**Profit (loss) from ordinary activities before tax**	**(1,518)**	**(11,027)**
1.6	Income tax benefit	-	1,936
1.7	**Profit (loss) from ordinary activities after tax**	**(1,518)**	**(9,091)**
1.8	Profit (loss) from extraordinary items after tax (*see item 2.5*)	-	-
1.9	**Net profit (loss)**	**(1,518)**	**(9,091)**
1.10	Net profit (loss) attributable to outside +equity interests	-	-
1.11	**Net profit (loss) for the period attributable to members**	**(1,518)**	**(9,091)**
Non-owner transaction changes in equity			
1.12	Increase (decrease) in revaluation reserves		
1.13	Net exchange differences recognised in equity		
1.14	Other revenue, expense and initial adjustments recognised directly in equity (attach details)		
1.15	Initial adjustments from UIG transitional provisions		
1.16	Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	-	-
1.17	**Total changes in equity not resulting from transactions with owners as owners**	-	-

Earnings per security (EPS)		Current period	Previous corresponding Period
1.18	Basic EPS (in cents)	(0.008 cents)	(.06 cents)
1.19	Diluted EPS (in cents)	(0.008 cents)	(.06 cents)

30 June 2018 Preliminary Final Report

+ See chapter 19 for defined terms.

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

		Current period - $A'000	Previous corresponding period - $A'000
1.20	Profit (loss) from ordinary activities after tax (*item 1.7*)	(1,518)	(9,091)
1.21	Less (plus) outside +equity interests	-	-
1.22	**Profit (loss) from ordinary activities after tax, attributable to members**	**(1,518)**	**(9,091)**

Revenue and expenses from ordinary activities

(see note 15)

		Current period - $A'000	Previous corresponding period - $A'000
1.23	Revenue from Licence fee income	-	-
1.24	Interest revenue	-	-
1.26	Administration and corporate overheads	(1,477)	(151)
1.27	Depreciation and amortisation excluding amortisation of intangibles *(see item 2.3)*	(41)	(8,940)
Capitalised outlays			
1.28	Interest costs capitalised in asset values	-	-
1.29	Outlays capitalised in intangibles (unless arising from an +acquisition of a business)	-	-

Consolidated retained profits

		Current period - $A'000	Previous corresponding period - $A'000
1.30	Retained profits (accumulated losses) at the beginning of the financial period	(59,761)	(50,670)
1.31	Net profit (loss) attributable to members (*item 1.11*)	(1,518)	(9,091)
1.32	Net transfers from (to) reserves *(details if material)*	-	-
1.33	Net effect of changes in accounting policies	-	-
1.34	Dividends and other equity distributions paid or payable	-	-
	I.F.R.S		
1.35	**Retained profits (accumulated losses) at end of financial period**	**(61,279)**	**(59,761)**

30 June 2018 Preliminary Final Report

+ See chapter 19 for defined terms.

Intangible and extraordinary items

		Consolidated - current period			
		Before tax $A'000 (a)	Related tax $A'000 (b)	Related outside +equity interests $A'000 (c)	Amount (after tax) attributable to members $A'000 (d)
2.1	Amortisation of goodwill	N/A	N/A	N/A	N/A
2.2	Amortisation of other intangibles	N/A	N/A	N/A	N/A
2.3	**Total amortisation of intangibles**	N/A	N/A	N/A	N/A
2.4	Extraordinary items (details)	N/A	N/A	N/A	N/A
2.5	**Total extraordinary items**	**N/A**	**N/A**	**N/A**	**N/A**

Comparison of half year profits
(Preliminary final report only)

		Current year - $A'000	Previous year - $A'000
3.1	Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the *1st* half year (item 1.22 in the half yearly report)	(840)	386
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the *2nd* half year	(678)	(9,477)

30 June 2018 Preliminary Final Report

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial position

		At end of current period $A'000	As shown in last annual report $A'000	As in last half yearly report $A'000
	Current assets			
4.1	Cash	118	494	189
4.2	Receivables	159	692	2
4.3	Investments	-	-	-
4.4	Inventories	-	-	-
4.5	Tax assets	-	-	-
4.6	Other (provide details if material)	-	-	-
4.7	**Total current assets**	**277**	**1,186**	**191**
	Non-current assets			
4.8	Receivables	-	-	-
4.9	Investments (equity accounted)	-	-	-
4.10	Other investments	-	-	-
4.11	Inventories	-	-	-
4.12	Mineral technology development and exploration and evaluation expenditure capitalised *(see para .71 of AASB 1022)*	27,084	26,500	26,660
4.13	Development properties (+mining entities)	- -	-	-
4.14	Other property, plant and equipment (net)	118	159	138
4.15	Intangibles (net)	-	-	-
4.16	Tax assets	-	-	-
4.17	Other (provide details if material)	-	-	-
4.18	**Total non-current assets**	**27,202**	**26,659**	**26,798**
4.19	**Total assets**	**27,479**	**27,845**	**26,989**
	Current liabilities			
4.20	Payables	242	171	252
4.21	Interest bearing liabilities	67	45	62
4.22	Tax liabilities	-	-	-
4.23	Provisions	751	750	677
4.24	Other (Project Funds in Advance)	-	-	-
4.25	**Total current liabilities**	**1,060**	**966**	**991**
	Non-current liabilities			
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	53	137	97
4.28	Tax liabilities	-	-	-
4.29	Provisions exc. tax liabilities	-	-	-
4.30	Other (provide details if material)	-	-	-
4.31	**Total non-current liabilities**	**53**	**137**	**97**

30 June 2018 Preliminary Final Report

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial position continued

4.32	**Total liabilities**	**1,113**	**1,103**	**1,088**
4.33	**Net assets**	**26,366**	**26,742**	**25,901**

	Equity			
4.34	Capital/contributed equity	87,517	86,503	86,503
4.341	Converting Notes	128	-	
4.35	Reserves	-	-	-
4.36	Retained profits (accumulated losses)	(61,279)	(59,761)	(60,602)
4.37	**Equity attributable to members of the parent entity**	**26,366**	**26,742**	**25,901**
4.38	Outside +equity interests in controlled entities	-	-	-
4.39	**Total equity**	**26,366**	**26,742**	**25,901**

4.40	Preference capital included as part of 4.37	**-**	**-**	**-**

Notes to the condensed consolidated statement of financial position

Technology, Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

		Current period $A'000	Previous corresponding period - $A'000
5.1	Opening balance	26,500	35,279
5.2	Expenditure incurred during current period	584	133
5.3	Expenditure written off during current period	-	(8,912)
5.4	Acquisitions, disposals, revaluation increments, etc.	-	-
5.5	Expenditure transferred to Development Properties	-	-
5.5A	I.F.R.S. Compliance Adjustment	-	-
5.6	**Closing balance as shown in the consolidated balance sheet** (*item 4.12*)	**27,084**	**26,500**

Development properties

(To be completed only by entities with mining interests if amounts are material)

Current period $A'000	Previous corresponding period - $A'000

+ See chapter 19 for defined terms.

6.1	Opening balance	N/A	N/A
6.2	Expenditure incurred during current period	-	-
6.3	Expenditure transferred from exploration and evaluation	-	-
6.4	Expenditure written off during current period	-	-
6.5	Acquisitions, disposals, revaluation increments, etc.	-	-
6.6	Expenditure transferred to mine properties	-	-
6.7	**Closing balance as shown in the consolidated balance sheet** *(item 4.13)*	**-**	**-**

Condensed consolidated statement of cash flows

		Current period $A'000	Previous corresponding period - $A'000
	Cash flows related to operating activities		
7.1	Receipts from customers (licence fee income)	-	
7.2	Payments to suppliers and employees	(863)	(1,806)
7.3	Dividends received from associates		
7.4	Licence fee income		
7.5	Interest and other items of similar nature received	-	4
7.6	Interest and other costs of finance paid	(11)	(13)
7.7	Income taxes refund	-	1,506
7.8	Other (provide details if material)		
7.9	**Net operating cash flows**	**(874)**	**(309)**
	Cash flows related to investing activities		
7.10	Payment for purchases of property, plant and equipment		
7.11	Proceeds from sale of property, plant and equipment		40
7.12	Payment for purchases of equity investments		
7.13	Proceeds from sale of equity investments		
7.14	Loans to other entities		
7.15	Loans repaid by other entities		
7.16	Other (Mineral Technology and Development Expenditure and Exploration Expenditure)	(584)	(133)
7.17	**Net investing cash flows**	**(584)**	**(93)**
	Cash flows related to financing activities		
7.18	Proceeds from issues of +securities (shares, options, etc.) / converting notes	1,141	331
7.19	Proceeds from borrowings		
7.20	Lease payments	(59)	(47)
7.21	Dividends paid		
7.22	Loan from related party		
7.23	**Net financing cash flows**	**1,082**	**284**

30 June 2018 Preliminary Final Report

+ See chapter 19 for defined terms.

7.24	**Net increase (decrease) in cash held**	**(376)**	**(118)**
7.25	Cash at beginning of period *(see Reconciliation of cash)*	494	612
7.26	Exchange rate adjustments to item 7.25.		
7.27	**Cash at end of period** *(see Reconciliation of cash)*	118	494

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. *(If an amount is quantified, show comparative amount.)*

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current period $A'000	Previous corresponding period - $A'000
8.1	Cash on hand and at bank	118	494
8.2	Deposits at call		-
8.3	Bank overdraft		-
8.4	Other (provide details)		-
8.5	**Total cash at end of period** *(item 7.27)*	**118**	**494**

Other notes to the condensed financial statements

Ratios		Current period	Previous corresponding Period
9.1	**Profit before tax / revenue** Consolidated profit (loss) from ordinary activities before tax (*item 1.5*) as a percentage of revenue (*item 1.1*)	N/A	N/A
9.2	**Profit after tax / +equity interests** Consolidated net profit (loss) from ordinary activities after tax attributable to members (*item 1.11*) as a percentage of equity (similarly attributable) at the end of the period (*item 4.37*)		

+ See chapter 19 for defined terms.

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

Classification of securities as ordinary shares
The following securities have been classified as ordinary shares and included in basic earnings per share:

(a) ordinary shares

Classification of securities as potential ordinary shares
No securities have been classified as potential ordinary shares. No options are in existence.

Earnings per security (EPS)	Current period	Previous corresponding Period
Basic EPS (in cents)	(0.008 cents)	(0.06 cents)
Diluted EPS (in cents)	(0.008 cents)	(0.06 cents)

	CONSOLIDATED	
	2018 $'000	**2017 $'000**
Earnings reconciliation Net profit (loss) Net profit (loss) attributable to outside equity interests Restatement of prior year earnings for effect of change in accounting policy adjusted directly against retained profits	(1,518)	(9,091)
Basic earnings After-tax effect of interest	(1,518)	(9,091) -
Diluted earnings (Diluted EPS has not been calculated for ordinary shares as there are no potential ordinary shares on issue that are dilutive in respect of these shares).	-	-
Weighted average number of shares used as the denominator Number for basic earnings per share Ordinary shares	-	-

NTA backing *(see note 7)*	Current period	Previous corresponding period
11.1 Net tangible asset backing per +ordinary security	N/A	N/A

30 June 2018 Preliminary Final Report

+ See chapter 19 for defined terms.

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)

12.1 Discontinuing Operations

N/A

Control gained over entities having material effect

13.1	Name of entity (or group of entities)	N/A
13.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was +acquired	$
13.3	Date from which such profit has been calculated	
13.4	Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	$

Loss of control of entities having material effect

14.1	Name of entity (or group of entities)	N/A
14.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	$
14.3	Date to which the profit (loss) in item 14.2 has been calculated	
14.4	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	$
14.5	Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	$

+ See chapter 19 for defined terms.

Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	N/A
15.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	
15.3	If it is a final dividend, has it been declared? *(Preliminary final report only)*	

Amount per security

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
	(Preliminary final report only)			
15.4	**Final dividend:** Current year	¢	¢	¢
15.5	Previous year	¢	¢	¢
	(Half yearly and preliminary final reports)			
15.6	**Interim dividend:** Current year	¢	¢	¢
15.7	Previous year	¢	¢	¢

Total dividend (distribution) per security (interim *plus* final) N/A

(Preliminary final report only)

		Current year	Previous year
15.8	+Ordinary securities	¢	¢
15.9	Preference +securities	¢	¢

+ See chapter 19 for defined terms.

Half yearly report - interim dividend (distribution) on all securities *or* N/A
Preliminary final report - final dividend (distribution) on all securities

		Current period $A'000	Previous corresponding period - $A'000
15.10	+Ordinary securities *(each class separately)*		
15.11	Preference +securities *(each class separately)*		
15.12	Other equity instruments *(each class separately)*		
15.13	**Total**		

The +dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the +dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

Details of aggregate share of profits (losses) of associates and joint venture entities N/A

Group's share of associates' and joint venture entities':		Current period $A'000	Previous corresponding period - $A'000
16.1	Profit (loss) from ordinary activities before tax	N/A	N/A
16.2	Income tax on ordinary activities		
16.3	**Profit (loss) from ordinary activities after tax**		
16.4	Extraordinary items net of tax		
16.5	**Net profit (loss)**		
16.6	Adjustments		

+ See chapter 19 for defined terms.

16.7 Share of net profit (loss) of associates and joint venture entities		

Material interests in entities which are not controlled entities

N/A

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)*

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (*item 1.9*)	
17.1 Equity accounted associates and joint venture entities	Current period	Previous corresponding period	Current period $A'000	Previous corresponding period - $A'000
17.2 Total				
17.3 Other material interests				
17.4 Total				

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of +securities	Total number	Number quoted	Issue price per security	Amount paid up per security
18.1 Preference +securities *(description)*	-	-	-	-
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	-	-	-	-
18.3 +Ordinary securities	1,801,542,625	1,726,929,699	-	-

30 June 2018 Preliminary Final Report

+ See chapter 19 for defined terms.

	Total number	Number quoted	Issue price per security	Amount paid up per security
18.4 Changes during current period (a) Increases through issues Placement of 30,000,000 ordinary shares to Australian Professional Investors at 1 cent each – January 2018		30,000,000	$0.01	$0.01
Placement to Bergen – collateral shares – January 2018 converting note agreement – 6,800,000 ordinary shares at 0.7 cents each		6,800,000	$0.007	$0.007
Placement to Bergen – commencement fee shares January 2018 converting note agreement – 16,498,316 ordinary shares at 0.7 cents each		16,498,316	$0.007	$0.007
February 2018. Placement to Bergen (conversion of converting notes) 15,000,000 ordinary shares at 0.5 cents each		15,000,000	$0.005	$0.005
March 2018. Placement to Bergen (conversion of converting notes) 18,750,000 ordinary shares at 0.4 cents each		18,750,000	$0.004	$0.004
March 2018. Placement to Bergen (conversion of converting notes) 12,500,000 ordinary shares at 0.4 cents each		12,500,000	$0.004	$0.004
April 2018. Placement to Bergen (conversion of converting notes) 33,333,333 ordinary shares at 0.3 cents each		33,333,333	$0.003	$0.003
April 2018. Placement to Bergen (conversion of converting notes) 25,000,000 ordinary shares at 0.3 cents each		25,000,000	$0.003	$0.003
May 2018. Placement to Bergen (conversion of converting notes) 40,000,000 ordinary shares at 0.25 cents each		40,000,000	$0.0025	$0.0025
May 2018. Placement to Bergen (conversion of converting notes) 75,000,000 ordinary shares at 0.01 cents each		75,000,000	$0.001	$0.001
Other - Balance of (b) Share purchase shares	52,072,926			$0.01
(c) Increase through issues				
(d) Forfeited shares held for re-issue	22,540,000			
(e) Converting notes	128,000		$1	$128,000

+ See chapter 19 for defined terms.

18.5	**+Convertible debt securities** (*description and conversion factor)*	-	-	-	-
18.6	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.7	**Options** *(description and conversion factor)*	-	-	*Exercise price*	*Expiry date (if any)*
18.8	Issued during current period				
18.9	Exercised during current period				
18.10	Expired during current period				
18.11	**Debentures** *(description)*				
18.12	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.13	**Unsecured notes** *(description)*	-	-		
18.14	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				

Segment reporting

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises one main business segment, based on the consolidated entity's management reporting system. Mineral sands and technology development.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity's business segments operate geographically as follows:

Australia *Mineral Exploration,* Mineral sands and technology development

+ See chapter 19 for defined terms.

Primary Reporting Geographic Segments	AUSTRALIA 2018 $'000's	AUSTRALIA 2017 $'000's	CONSOLIDATED 2018 $'000's	CONSOLIDATED 2017 $'000's
Revenue				
External segment revenue	-	-	-	-
Inter-segment revenue				
Total segment revenue	-	-	-	-
Other unallocated revenue				
Total revenue	-	-	-	-
Result				
Segment result – Profit / (loss)	(1,518)	(9,091)	(1,518)	(9,091)
Share of net profit or loss/result of equity accounted investments				
Unallocated corporate expenses				
Profit from ordinary activities before income tax				
Income tax (expense) / benefit				
Profit from ordinary activities after income tax				
Extraordinary items after tax				
Net profit / (loss)	(1,518)	(9,091)	(1,518)	(9,091)
Depreciation and amortisation		-		-
Non-cash expenses other than depreciation and amortisation		-		-
Individually significant items		-		-

+ See chapter 19 for defined terms.

COMMENTARY

CORPORATE

In September 2017 Austpac Resources NL received a $430,325 Research and Development tax concession refund.

In January 2018, Austpac Resources NL signed a $1 million unsecured converting note 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 would 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 converting notes were convertible at the sole discretion of Bergen Global Opportunity Fund II, LLC and would convert to a variable number of Austpac shares.

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.

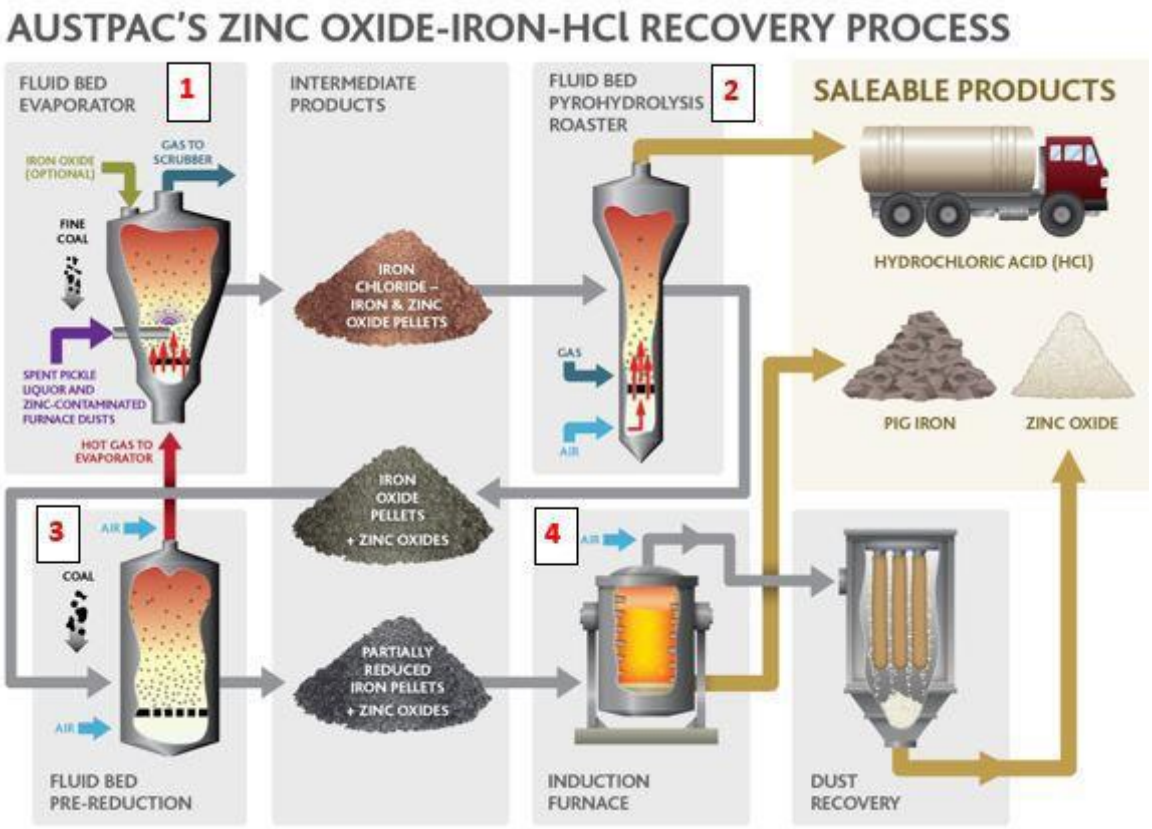
In July 2018, Austpac Resources NL completed a placement of 90,000,000 fully paid ordinary Austpac Resources NL shares to Australian investors to raise $180,000.

In July 2018, the Converting Note Agreement between Austpac and the Bergen Global Opportunity Fund II, LLC ("Bergen"), announced to the market on 11 January 2018, terminated by mutual consent of the parties. The converting notes issued under the Agreement have been converted in full. The funds raised under the Agreement were utilised for working capital and the progression of the Newcastle Zinc Iron Recovery project and international applications of Austpac technologies.

NEWCASTLE ZINC & IRON RECOVERY PLANT

The objective of the proof-of- concept testwork program at Newcastle is to treat iron and zinc oxide-rich steel furnace dust and SPL through the first three process stages [Evaporation, Pyrohydrolysis and Pre-Reduction] to produce reduced iron and zinc oxide pellets which will be melted in an electric furnace at a commercial foundry to produce pig iron and zinc oxide for market evaluation. While electric furnaces have been used for over 100 years, they generally melt scrap steel to make iron products, so testing of Austpac's reduced iron pellets is essential for proving Stage 4 of the ZIRP process.

+ See chapter 19 for defined terms.



The testwork program commenced with the critical first process stage, Evaporation. In Stage 1, furnace dusts are slurried with water and fed together with SPL into the EVAP unit to produce solid mixed iron chloride / iron & zinc oxide pellets. During the past and current quarters, operations have proceeded on a campaign basis and ideally-sized mixed oxide-chloride pellets have been produced. Each campaign has identified areas for improvement (e.g. upgrading of the slurry and SPL feed and the oxide-chloride pellet discharge systems, replacement pumps, etc.) so that the EVAP unit can reach steady state operations at ~100kg/hour, which is well above original design capacity. To date 500kg of oxide-chloride pellets have been produced and a further 500kg will be produced for downstream processing.

The original plan for Stages 2 (PYRO) and 3 (FBPR) involved the fabrication, installation and commissioning of a new fluid bed roaster, as it was planned produce 5 tonnes of reduced iron pellets for the Stage 4 melt tests. Following a review of the time and cost involved to commence operations with the new roaster, it has been decided to modify and recommission the old reduction roaster used in 2007-08. The plan now is to produce 500kg of reduced iron/zinc oxide pellets for Stage 4, which will be sufficient to produce samples of pig iron and zinc oxide for market evaluation. This activity will commence as soon as funds are available.

Discussions and negotiations have advanced with Australian and international steel producers and are well-advanced with one group. These include;

- An Australian steelmaker which has closely followed the testwork program since its inception.
- South Africa – during a visit, Colin Iles established there is a strong focus on by-product treatment and recycling steel mills are seeking ways to reuse their furnace dusts and he identified some immediate opportunities. A number of mills have been contacted and information exchange has commenced with one organisation.
- USA – Colin Iles also visited one EAF steel mill that produces zinc-contaminated furnace dusts that are an expensive disposal problem. The mill is interested in ZIRP technology and

+ See chapter 19 for defined terms.

envisages that a plant built to process the steel mill dusts from the region would be attractive. Austpac plans to keep this group abreast of the testwork program and to commence commercial discussions once the program has been completed.

- China – the chief executive of a large integrated steel mill recently visited Austpac in Sydney for discussions regarding the implementation of ZIRP technology both in Australia and in China. This is a new development that will be reviewed by the board of the steel company.

OPPORTUNITIES IN THE USA

The US steel industry produces 87 million tonnes of steel, over 60% of which comes from EAFs. These generate large volumes of EAFD and creates an opportunity for Austpac to use the zinc-iron HCl recovery process to access this lucrative market. The technology presently used in North America produces a medium value upgraded zinc oxide product and a low value iron oxide used in cement. Austpac's process produces high value zinc oxide and pig iron, and also uses waste SPL to produce a third product, HCl.

The testwork and marketing program underway at Newcastle will assist the creation of opportunities to commercialise the Company's technology in the USA

EL 5291 Nhill

In 2017, assisted by a grant from the Victorian Government, Austpac tested a gravity and magnetic anomaly by drilling the first core hole in the Nhill-Dimboola belt. The hole passed through Murray Basin sediments before intersecting the basement at 249m and obtaining 76m of diamond core. The basement consists of primarily increasingly strongly to intensely altered basaltic volcanics, with sulphide mineralisation deposited in fractures, along breccia boundaries and in voids. Pyrite is predominant but is often accompanied by significant sphalerite (Zn), minor finely disseminated chalcopyrite (Cu) and anomalous gold. Intercepts included 0.5m (308.0-308.5) containing 3.60% Zn and 0.44g/t Au, and 0.5m at the end of the hole containing 1.20% Zn and 0.2g/t Au.

In late June 2018, Austpac attended a conference hosted by the Geological Survey of Victoria, in conjunction with Geoscience Australia, which presented the results of joint work undertaken by the two groups to encourage exploration in the newly-defined Stavely Arc. This is a Cambrian-aged north-west trending island arc is buried beneath younger Murray Basin sediments. GeoVic and GA consider the Stavely Arc is prospective for volcanic-hosted massive sulphide and porphyry copper deposits, and Austpac's discovery at Nhill is the first evidence of this potential.

The conference also included a half day visit to the GeoVic core storage facility, where the core of the GeoVic/GA stratigraphic drill holes was displayed, along with core from mineralised systems over 100kn south-east of EL 5291. The mineralised core from Austpac's GG-01 hole was also on display, which created considerable interest from exploration companies, including discussion whether the mineralisation is related to a massive sulphide or a porphyry source. Austpac's recent analyses of sulphur isotopes in the mineralisation from GG-01 indicate a volcanic-hosted massive sulphide origin is more likely.

Since the conference, one company has signed a confidentiality agreement with a view to an exploration joint venture and discussions will continue with other groups regarding ongoing exploration at EL 5291, Nhill.

+ See chapter 19 for defined terms.

Basis of financial report preparation

19.1 The accounting policies adopted are consistent with those of the previous financial year. The Australian Accounting Standards Board (A.A.S.B.) is implementing the Financial Reporting Councils policy of adopting the International Financial Reporting Standards (I.F.R.S.), which has applied to the Austpac Resources N.L. reporting period from 1 July 2005.

Austpac Resources N.L. has undertaken a policy of review and assessment of the impact of I.F.R.S. on Austpac Resources N.L. financial reporting.

Management is considering the impact on the financial reports of the company. The principal area of impact on Austpac Resources N.L. is the carrying value of capitalised expenditure on Technology Development in the Austpac Resources N.L. Statement of Financial Position.

19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

None -

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

-

19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

-

19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

-

19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

-

+ See chapter 19 for defined terms.

19.8 The financial report has been prepared on the basis of a going concern. The 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 company and the consolidated entity will be able to fund future operations through share issues, the successful commercialisation of mineral technologies and the joint venturing of interests held in mineral projects.

Without the equity raisings and joint venturing or sale of interests held in mineral tenements and projects there is uncertainty 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 its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

Additional disclosure for trusts

20.1	Number of units held by the management company or responsible entity or their related parties.	-
20.2	A statement of the fees and commissions payable to the management company or responsible entity. Identify: initial service charges • management fees • other fees	-

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	TO BE ADVISED
Date	22 NOVEMBER 2018
Time	4:30 PM
Approximate date the +annual report will be available	

+ See chapter 19 for defined terms.

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views

2 This report gives a true and fair view of the matters disclosed

3 This report is based on +accounts to which one of the following applies.
(Tick one)

☐	The +accounts have been audited.	☐	The +accounts have been subject to review.
☐	The +accounts are in the process of being audited or subject to review.	✓	The +accounts have *not* yet been audited or reviewed.

4 The audit report is not attached.

5 The entity does have a formally constituted audit committee.

Sign here: ..... Date: 28 August 2018
(Company Secretary)

Print name: NICHOLAS J. GASTON.....

+ See chapter 19 for defined terms.