31 October 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. ANNUAL REPORT 2018

We are pleased to provide the 2018 Annual Report for Austpac Resources N.L. for immediate release.

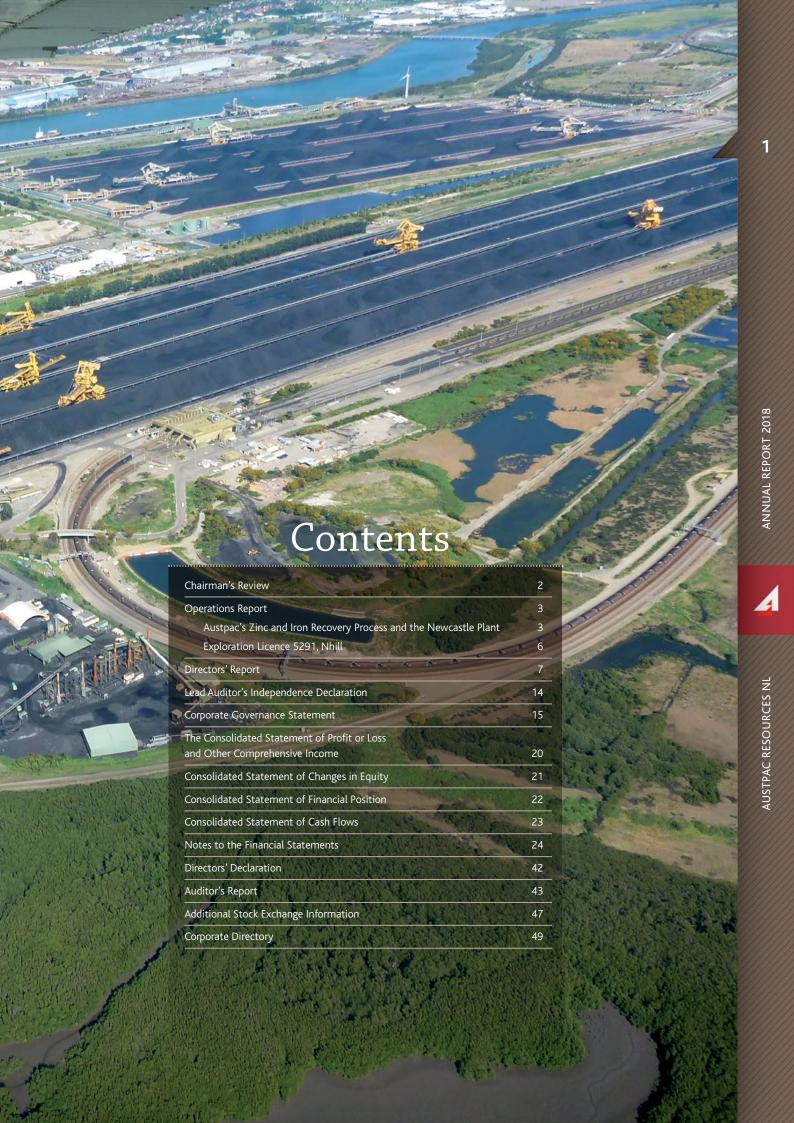
Yours faithfully,

N.J. Gaston
Company Secretary









Chairman's Review

Austpac has continued to refine the Company's Zinc & Iron Recovery Process (ZIRP) technologies which are focussed on recycling zinc-contaminated steel mill furnace dust and spent pickle liquor to recover pig iron and strong hydrochloric acid. A proof-of-concept test work program is ongoing at Newcastle and it will be completed during the coming year.

Negotiations are progressing with:

- ▲ An Australian steel maker and draft agreements are under review.
- A South African group involved in the treatment of industrial by-products and wastes who recognises the ZIRP process has applicability to the local steel industry.
- A large Chinese steel maker interested in developing a small commercial ZIRP plant in Australia.

Each group has expressed an interest in providing funds to complete the proof-of-concept test work program.

Additional survey work within the Nhill Project in western Victoria has defined two discrete drill targets to the southeast of drillhole GG-01 which gave encouraging base and precious metal results in May 2017. These targets are being reviewed with potential joint venture partners for the project.

Austpac is also assessing projects offering early cash flow opportunities.

The Company contained operating costs to \$1.8 million which is comparable to the previous financial year, and has been supported by smaller Australian investor placements and a converting note facility.

I thank shareholders for their patience while the careful commercial progress of Austpac technologies continues.

T. Cuthbertson

Chairman



Operations Report

AUSTPAC'S ZINC & IRON RECOVERY PROCESS AND THE NEWCASTLE PLANT

The fine iron particles produced during iron and steel making exit the furnaces as fine iron oxide dusts with the exhaust gases, and are removed from the gas stream as a solid with a baghouse or as a slurry with a wet scrubber. There are two sources for these dusts:

- Dusts from blast furnaces (BF) and basic oxygen furnaces (BOF) used for primary steel-making predominantly contain iron oxide with low levels of contaminants, including zinc. Some of these are recycled by steel mills, but there is a limit to the amount that can be treated because over time the deleterious metals build up to a level they would contaminate the iron produced by the furnaces.
- The iron scrap used by electric arc furnaces (EAF) in secondary steel-making generally contains other metals, including high levels of zinc derived from galvanised steel. EAF dust (EAFD) can contain as much as 40% Zn which occurs as zinc oxides and other zinc minerals. These dusts are problematic because of the high zinc levels and there is only one commercially available process, the Waelz Process. While this recovers the zinc as zinc oxide, it produces an unusable residue which requires landfill disposal. Drawbacks include high energy consumption, high capital cost & lack of iron recovery.

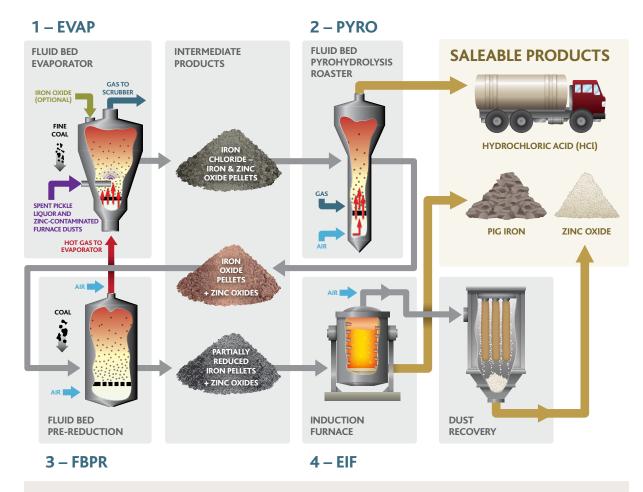
Globally, more than 50 million tonnes of contaminated furnace dusts are generated annually. While a small proportion is recycled, this is limited due to the deleterious nature of zinc in steelmaking. The growing volume of contaminated furnace dust is a huge challenge for the steel industry.

Preliminary testwork at Austpac's facility on Kooragang Island near Newcastle had indicated that the recycling of dusts generated by steel industry furnaces could be achieved. Austpac's EARS process regenerates strong hydrochloric acid (HCl) and iron oxide from iron chloride solutions. By combining furnace dusts containing low contaminant levels with iron chloride-rich spent pickle liquor (SPL) generated by the steel industry, marketable iron pellets could be produced along with strong HCl. However, zinc-contaminated furnace dusts could not be combined with SPL because the residual HCl reacted with the zinc minerals forming zinc chloride, which unlike iron chloride, cannot be regenerated.

In 2015, Austpac conceived a novel four-stage process whereby the residual HCl in the SPL is prevented during the first stage ("EVAP") from reacting with zinc minerals. During the next stage ("PYRO"), strong HCl is produced in a fluid bed roaster and recovered from the off-gases while a solid zinc oxide/iron oxide pellet is discharged from the roaster. These are partially reduced in another fluid bed during the next stage ("FBPR"), and the



Furnace dust slurry preparation area



Austpac's Zinc-Iron-HCl Recovery Process

partially-reduced pellets are then smelted in an Electric Induction Furnace ("EIF"). This final stage produces high value pig iron and the zinc minerals in the feed are reduced to metallic zinc. The zinc furnes out of the iron melt and upon contact with air forms zinc oxide, which is captured and removed from the furnace exit gases in a baghouse. This is the Zinc-Iron-HCl Recovery Process ("ZIRP"), as illustrated above

The ability to recover pig iron, strong HCl and zinc oxide from zinc-contaminated dusts from the steel industry is unique. Accordingly, in November 2016, Austpac lodged a patent application entitled "Processing of Zinc-Containing Waste Materials" to protect this new recycling process. The application entered the International Publication processing stage on 11 May 2018.

While elements of the ZIRP process had been previously demonstrated at the Newcastle plant (e.g. regeneration of strong HCl, fluid bed reduction of iron oxide pellets), Austpac recognised that it would be necessary to demonstrate that the new process could produce marketable pig iron and zinc oxide. The Company decided to achieve this by using or modifying some of the existing equipment to process up to 10 tonnes of Zn-contaminated furnace dust and SPL through the first three process steps (EVAP, PYRO & FBPR) to produce sufficient zinc oxide/reduced iron pellets for a series of melt tests at a commercial foundry. The melt tests will produce pig iron, while

zinc will be captured as an oxide from the furnace gases. These tests are designed to demonstrate the viability of the process and provide samples to establish the marketability of the products.

To minimise the cost of the test program, each process step is being operated in simulated continuous campaigns rather than build a fully continuous plant. Pellets from EVAP are being stored until required for the next two stages, which will use the same fluid bed roaster to produce mixed iron oxide/zinc oxide pellets and evolve HCl (PYRO). The iron component in mixed oxide pellets will then be partially reduced in the fluid bed roaster, and batches of the FBPR pellets will be used for the foundry melt tests.

The test program commenced in April 2017, and has been undertaken solely by management to minimise costs. It has been progressed in steps as funds have been available.

An east coast-based Australian steelmaker agreed to supply sufficient furnace dust and SPL to support Austpac's testwork program. As the furnace dust contained agglomerated particles, work initially focussed on modifying the front-end solids feed preparation area that was originally installed in 2013 to prepare mill scale. The furnace dust is mixed with fine coal, and delivered via the solids transfer conveyors and screens to the ball mill, where it is mixed with water and ground to a fine slurry. This is pumped from the discharge tank via a ring main to a holding tank adjacent to the EVAP unit in the adjacent process tower.

The solids feed preparation area was retested in June 2017 and further modifications were made in July 2017 to enable trouble free front-end operations.

The existing EVAP unit was installed in 2013 and it required extensive reconditioning. A new plenum for the fluid bed was fabricated and installed, as was a new off-gas stack. The gas burner, the blowers and fans and the off-gas scrubber were recommissioned and modified as required. Refurbishment and installation work on the EVAP unit was completed by late July 2017.

In early August 2017, ten tonnes of furnace dust and four tonnes of SPL were delivered to the Newcastle site where they are stored in separate bunded areas until required for processing.

Cold commissioning of the solids feed preparation area commenced in August 2017 and a number of modifications and adjustments were made, and the SPL pumps and delivery lines to the EVAP unit were installed. This was followed later in the month by hot commissioning of the fluid bed and culminated in the operation of the complete Stage 1 unit.

The first EVAP campaign was completed by early September 2017, by which time some 180kg of ideally-sized mixed iron chloride / iron & zinc oxide pellets had been produced. Two more campaigns were undertaken in March and April 2018, and a cumulative total of 350kg of mixed chloride/oxide pellets has so far been produced. The campaigns identified a number of areas that required modification, which is normal for any specialized prototype equipment. The EVAP unit is a fluid bed designed to produce pellets from zinc-contaminated dust and SPL, while preventing the zinc reacting with any residual HCl in the SPL. The modifications include fabrication of a redesigned plenum to improve the slurry and SPL feed as well as the oxide-chloride pellet discharge systems. This will ensure continuous, steadystate operation of the EVAP unit, as this is critical to proving this part of the ZIRP process. They will be undertaken once funds are available to complete the four-stage test program.



EVAP upper section and off-gas scrubber

The original plan for Stage 2 (PYRO) and Stage 3 (FBPR) involved the fabrication and operation of a new fluid bed roaster to produce reduced iron pellets for the Stage 4 melt tests. Considering the time and cost involved to fabricate a new roaster, it has been decided to modify and recommission a reduction roaster last used in 2007-08 and to produce 500kg of reduced iron/zinc oxide pellets for Stage 4 melt tests. This will produce sufficient samples of pig iron and zinc oxide for market evaluation. Once funds are available it will take 3-4 months to complete the proof-of-concept test program

During 2018, discussions and negotiations have continued with Australian and international steel producers and three groups are considering providing funds for and participating in the proof-of-concept test program.

- An Australian steelmaker who has closely followed the testwork program since its inception believes that the ZIRP process could be used at their facilities to recycle contaminated furnace dusts. Draft agreements regarding the testwork program and subsequent developments have been exchanged and are now being progressed by the steelmaker.
- A South African company involved in the treatment of byproducts and wastes generated by mining, metallurgical and chemical plants recognises that the application of the ZIRP technology could be implemented in the local steel industry. Confidentiality Agreements have been signed and a draft agreement is under consideration.
- Senior representatives of a large Chinese integrated steel mill who visited Austpac in 2016, recently revisited Sydney and the Newcastle plant and have presented a proposal to assist the development of a small commercial ZIRP plant in Australia. The implementation of this proposal is under negotiation.



Top of EVAP off-gas scrubber

EXPLORATION LICENCE 5291, NHILL

In May 2017, Austpac completed a vertical exploration drill hole to test a basement gravity and magnetic anomaly beneath a thick cover of younger sediments. The hole was co-funded by the Victorian Government under the TARGET initiative to encourage exploration in the Mallee region of the western part of the state. It was Austpac's first core hole in the Nhill-Dimboola belt in the north-western part of a newly-recognised Cambrian-aged island arc; the Stavely Arc.

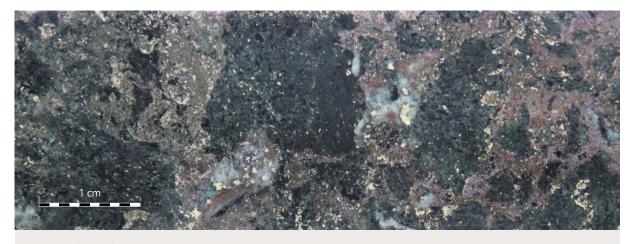
The drill hole, GG-01, passed through 249m of Murray Basin sediments before intersecting the competent basement and obtained 76m of diamond core. The basement consists of increasingly strongly to intensely hydrothermally-altered basaltic volcanics, with sulphide mineralisation deposited in fractures, along breccia boundaries and in voids. Pyrite is predominant but is often accompanied by significant sphalerite (zinc sulphide), minor finely disseminated chalcopyrite (copper sulphide) 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.

This mineralisation is highly encouraging considering that there has been negligible exploration in the Mallee region because of the thick cover of Murray Basin sediments. The mineral assemblage observed is typical of the outer halo of a hydrothermal system, the source of which is offset from the drill hole. Further drilling is required to locate the source in the mineralisation.

Subsequent examination of the core identified the magnetic mineral, pyrrhotite within the hydrothermal mineral assemblage. This observation justified careful attention to two low amplitude magnetic features which are shown in the close spaced ground magnetic data. The western feature is 600m in length and trends towards the collar of GG-01, which appears to have been located off the end of that magnetic feature. A second magnetic feature several hundred metres to the east is twice as long as the western magnetic body and is quite separate to the mineralisation encountered in GG-01.

Four gravity traverses at a station spacing of 100m and a line spacing of 200m identified positive gravity data indicating the likely presence of dense, magnetic material within the volcanic basement. These features provide two specific targets for follow-up drilling. Combined gravity and magnetic anomalies are often associated with massive sulphide mineralisation. Austpac's recent analyses of sulphur isotopes in the mineralisation from GG-01 demonstrate an association with sea water at the time of deposition, indicative of a volcanic-hosted massive sulphide origin for the mineralisation.

During the second half of the year under review, Austpac conducted numerous meetings with representatives of mining/ exploration companies. A number of these groups have examined the core from GG-01 and several companies have signed a confidentiality agreement with a view to an exploration joint venture. Discussions will continue with these and other groups regarding ongoing exploration drilling within EL 5291.



Pyrite-sphalerite-silica-pyrrhotite mineralisation at 308.1m in DDH GG-01 (within the 0.5m interval containing 0.44 g/t Au and 3.60% Zn).

MINING EXPLORATION ENTITIES

| Entities | Name | Area | Location | Ownership |
|----------|-------|------------------------------|--|-----------------------------|
| EL 5291 | Nhill | Area 149 graticular sections | Located between Nhill and Dimboola, Victoria | 100% Austpac Resources N.L. |

Directors' Report

The directors of Austpac Resources N.L., ('the company') A.C.N. 002 264 057, present their report together with the financial report of the company and of the consolidated entity, being the company and its controlled entities, for the financial year ended 30 June 2018 and the auditor's report thereon.

Directors

The directors of the company at any time during or since the end of the financial year are:



TERRY CUTHBERTSON ACA Chairman

Mr Cuthbertson is currently Chairman of Australian Whisky Holdings Limited, MyNetFone Ltd, South American Iron & Steel Ltd, Malachite Resources Ltd, Mint Payments Ltd and a Director of Isentric Ltd. He was previously Group Finance Director for Tech Pacific Holdings Pty Ltd which generated over \$2 billion in revenues from operations throughout the Asia-Pacific Region. From 1986 to 1995 he was a Senior Partner of KPMG, specialising in strategic and corporate advice to major corporations. Mr Cuthbertson brings extensive international corporate experience to Austpac including a practical operating knowledge of business practices and structures in India, China and Southeast Asia.

Mr Cuthbertson was appointed a Director of Austpac Resources N.L. on 27 March 2001 and Chairman of Austpac Resources N.L. on 31 May 2004.



MICHAEL J. TURBOTT BSc (Hons), FAusIMM, FAIG Managing Director Age 74

Mr Turbott was formerly a Director and Vice President of Kennecott Explorations (Australia) Ltd, and was in charge of the exploration programs that led to the discovery of the Lihir gold deposit in Papua New Guinea and to the acquisition and initial development of the Gordonstone (Kestrel) coal mine in the Bowen Basin, Queensland. His 47 years' experience in the mining industry has encompassed a wide variety of exploration and development projects in Australia, New Zealand, Papua New Guinea, Indonesia, Philippines, Canada and the USA.

Mr Turbott has been the Managing Director of Austpac Resources N.L. since its formation as an epithermal gold explorer in 1985. In 1988 Austpac became involved in the Westport ilmenite sand deposits in New Zealand. This led to the development of Austpac's proprietary ERMS roasting process to separate refractory ilmenite and, subsequently, to the EARS acid regeneration process. Under Mr Turbott's direction, since the mid 1990s Austpac has focused on its mineral sand technologies and has developed the ERMS SR process to produce very high grade synthetic rutile and a valuable iron co-product from ilmenite, a process to recover iron and hydrochloric acid from iron oxides and spent pickle liquor which are wastes produced by steel mills, a process to recover zinc and iron from Electric Arc Furnace dust, a continuous leaching process and specialist know-how in low temperature roasting and in the treatment of iron minerals.



COLIN ILES Non-Executive Director Age 57

Mr Iles is a metallurgist with over 35 years' experience in international trade, sales and business development and the commercial management of technical projects at plant level. He was previously General Manager for CMC Cometals Australia, a subsidiary of the Commercial Metals Company headquartered in Texas, USA, where he was responsible for key objectives of profit, production and marketing. Mr Iles has been intimately involved with supply and offtake contracts with the Australian and international iron and steel industry and is an expert in international metals sourcing and trading.

Mr Iles was appointed a Director of Austpac Resources N.L. on 13 March 2017.



ROBERT J. HARRISON FAICD Non-Executive Director Age 79

Mr Harrison retired as a Director of Austpac Resources NL on 31 October 2017.

Company Secretary

Mr Gaston is a Chartered Secretary with 45 years listed public company experience including Lend Lease Corporation, Peko Wallsend Limited and American Metals Climax (AMAX).

Officers who were previously partners of the audit firm

Officers who were previously partners of the current audit firm KPMG, at the time when KPMG undertook an audit of the company – T. Cuthbertson who retired from KPMG in 1995.

Directors' Interests and Benefits

The relevant interest of each director in the share capital of the company at the date of this report and as notified by the directors to the Australian Stock Exchange in accordance with Section 205G(1) of the Corporations Act 2001 was:

| | Ordinary Shares | | | |
|--------------------|-----------------|-----------|--|--|
| | Direct Indirect | | | |
| Terry Cuthbertson | - | 9,666,667 | | |
| Michael J. Turbott | 16,867,785 | 3,283,333 | | |
| Colin Iles | _ | _ | | |

Directors' Meetings

The number of meetings held and attended by each of the directors of the company during the financial year are:

| | Board meetings attended | Board meetings held during the time the director held office | Audit Committee Meetings Meetings attended held | | Remuneratio Meetings attended | n Committee Meetings held |
|--------------------------|----------------------------|--|---|---|-------------------------------------|---------------------------------|
| Terry Cuthbertson | 12 | 12 | 2 | 2 | 1 | 1 |
| Michael J. Turbott | 12 | 12 | 2* | 2 | 1* | 1 |
| Colin Iles | 12 | 12 | 2 | 2 | 1 | 1 |
| Robert J. Harrison | 4 | 4 | 1 | 2 | - | 1 |
| * Attended by invitation | | | | | | |

Principal Activities

The principal activity of the consolidated entity is the development of mineral processing technology and exploration and development of mineral sands deposits and gold deposits.

Review and Results of Operations

Operating and Financial Review

This report should be read in conjunction with the Chairman's Review, the Directors Report on Operations Pictorial, and Exploration Report in the front section of the 2018 Annual Report.

Operations

Newcastle Zinc and Iron Recovery Plant

The Newcastle Zinc and Iron Recovery Plant concept was conceived in 2015, when the possibility of recycling dusts generated by steel

industry furnaces was recognised following preliminary testwork at Austpac's facility on Kooragang Island. There are two sources for these dusts. The dusts emitted by blast furnaces (BF) and basic oxygen furnaces (BOF) used for primary steel-making predominantly contain iron oxide with low levels of contaminants, including zinc. The iron scrap used by electric arc furnaces (EAF) in secondary steel-making generally contains other metals, including high levels of zinc derived from galvanised iron. EAF dust (EAFD) can contain as much as 40% Zn which occurs as zinc oxides and other zinc minerals.

Austpac's EARS process regenerates hydrochloric acid (HCl) and iron oxide from iron chloride solutions. The testwork had shown that by combining these dusts with iron chloride-rich spent pickle liquor (SPL) generated by the steel industry, marketable iron pellets with very low levels of contaminants could be produced, together with strong HCl. Zinc and other volatile metal contaminants were removed during the second fluid bed reduction stage and captured as oxides. However, the oxides were contaminated with carbon and other impurities and were unmarketable.

In 2015, Austpac decided to replace its proposed two-stage fluid bed iron reduction oxide process with a single fluid bed stage to produce partially reduced iron pellets which can be converted to pig iron in an electric induction furnace (EIF). EIF's have been used in iron foundries for over 100 years and are well proven. Pig iron is a higher value product compared with the briquetted iron previously contemplated using two-stage fluid bed reduction. Any volatile metal components such as zinc are contained in the partially reduced iron pellet. In an EIF, these components are fume out of the iron melt and are removed with the furnace exit gases and captured in a baghouse.

The ability to recover pig iron, strong HCl and zinc oxide from zinc-contaminated dusts from the steel industry is unique. Accordingly, in November 2016 Austpac lodged a patent application entitled "Processing of Zinc-Containing Waste Materials" to protect this new recycling process.

In October 2016, Austpac's management and technical team was augmented by Colin Iles, who joined the Company as a consultant. Colin is a metallurgist with over 35 years' experience in international trade, sales and business development and the commercial management of technical projects at plant level and is an expert in international metals sourcing and trading. Since October he has been closely involved in planning the commercialisation of the NZIRP and in March 2017, he was appointed a non-executive director of the Company.

The team recognised that it would be necessary to demonstrate that Austpac's innovative and zinc recovery process could produce marketable pig iron and zinc oxide. A testwork program using larger pilot scale equipment plant at Newcastle commenced in late March 2017. This included upgrading and recommissioning some existing equipment, the fabrication of a larger fluid bed roaster and reconfiguring the raw material preparation and delivery systems. This program will culminate with the production of at least 5 tonnes of reduced iron pellets for testing in a commercial foundry. A series of furnace melts at the foundry will produce pig iron while zinc will be captured as an oxide from the furnace gases. This will prove the process and provide samples to establish the marketability of the products.

Austpac's process (patent pending) to recover iron, zinc oxide and hydrochloric acid from contaminated furnace dusts and spent pickle liquor from the steel industry comprises four stages; fluid bed evaporation/pelletisation (EVAP), fluid bed pyrohydrolysis (PYRO), fluid bed prereduction (FBPR) and an electric induction furnace (EIF).

Since April 2017, the test program has progressed well and by August 2017 had achieved the first milestone; commissioning of Stage 1 of the test plant, the EVAP unit. This included the following achievements:

- An east coast-based Australian steelmaker agreed to supply sufficient raw materials to support Austpac's testwork program at Newcastle. The steel furnace dust selected contains iron oxides and some zinc minerals, and the SPL is from the steelmaker's pickling lines. In early August 2017, ten tonnes of furnace dust and four tonnes of SPL were delivered to the NZIRP site where they are stored in separate bunded areas until processing is complete.
- ✓ The furnace dust contains agglomerated particles which are mixed with fine coal and then transferred to a receival hopper in the existing solids preparation area. The equipment, which was commissioned in 2013, was re-tested in June 2017 and the following month a number of modifications were made to ensure trouble-free operations of the solids delivery system. The solids are mixed with water in the ball mill and ground to a fine slurry. This is pumped from the discharge tank via the ring main to a holding tank adjacent to the Fluid Bed Evaporator (EVAP) in the adjacent process tower.
- In the existing EVAP unit required extensive reconditioning. A new plenum for the fluid bed and a new off-gas stack was installed. The gas burner, the blowers and fans and the off-gas scrubber were recommissioned and modified as required. Refurbishment and installation work on the EVAP unit was completed by late July 2017.
- Cold commissioning of the solids feed preparation area commenced in August 2017 and a number of modifications and adjustments were made, and the SPL pumps and delivery lines to the EVAP unit were installed. This was followed later in the month by hot commissioning of EVAP fluid bed and culminated in the operation of the complete Stage 1 unit and the production of optimally-sized mixed chloride-oxide pellets.

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 and 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 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.

Future Potential of Technologies to be further developed

Synthetic rutile technology which has been developed by Austpac since the 1980s has application potential for the titanium pigment industry and the titanium sponge industry.

Following the completion of construction and commissioning of the Newcastle Iron Recovery Plant, Austpac will progress with technology licenses to the steel and related industries for use of the technologies utilised at the Newcastle plant.

Exploration Division

Austpac maintains a low cost diversified activity which includes mineral sand technology, steel industry technology, acid regeneration and iron products, gold and base metals exploration.

The exploration division has historically generated cash flow to enable funding the construction of the Newcastle Plant. This low cost division has contributed to the longevity of the company through risk diversification.

Financial Position - Financial Performance

Austpac Resources N.L. reported a loss for the year ending 30 June 2018 of \$26,935,454 (2017: \$9,091,040 loss).

The consolidated entity has a net current asset deficiency of \$1,019,802 at 30 June 2018 (2017 net current asset surplus: \$218,849).

Financial Forecast

As at 30 June 2018 Austpac Resources N.L. carries no structured or secured debt and all technology assets are unsecured.

Austpac Resources N.L. will look to fund future operations through debt or equity, the successful commercialisation of mineral technologies or the joint venturing or sale of interests held in mineral and technology projects.

Risk Profile

Austpac Resources N.L. is a high risk emerging mineral and steel technology company.

Key business risks applicable to Austpac Resources N.L. include risks associated with access to continual funding, the commercialisation of Austpac's technology and Austpac's ability to achieve this commercialisation in line with financial forecasts.

Dividends

No dividends were paid or declared by the company during the year. The directors do not recommend the payment of a dividend.

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 which are not disclosed in the Annual Report.

Subsequent Events

Since the end of the financial year ending 30 June 2018, Austpac Resources NL announced the placement of 90,000,000 fully paid ordinary Austpac Resources NL shares of \$0.002 each to Australian investors to raise \$180,000. The shares were issued prior to 30 June 2018 and an amount of \$150,000 was outstanding and recorded in Other Receivables as at 30 June 2018. As at the date of signing this report, \$145,000 remains outstanding to be received.

An amount of \$225,500 is recorded within Other Receivables and remains outstanding to be received as at 30 June 2018 relating to the 30,000,000 ordinary shares issued in January 2018. As at the date of signing this report \$225,500 of the outstanding Other Receivables has been receipted.

On 4 July 2018 the final 128,000 Bergen converting notes with a face value of \$1 per note were converted to shares. 128,000,000 shares were issued to Bergen at \$0.001 each for a total value of \$128,000. The agreement was terminated by mutual consent on 17 July 2018 prior to receipt of the remaining \$400,000 stipulated in the amended agreement.

On 3 October 2018 the company has received \$200,000 in accordance with a loan agreement entered into with Terry Cuthberston (Chairman). The loan is unsecured and with a repayment period of 13 months from 3 October 2018. When due for repayment, the loan may be repaid in cash or converted to shares at the discretion of the lender, with 5% p.a. interest payable on the completion of the loan period. The \$200,000 funds associated with this loan have been received by Austpac at the date of this report.

Likely Developments

Except as described elsewhere in this Annual Report, further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The consolidated entity's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its technology development.

The directors are not aware of any breach during the period covered by this report.

Options

During or since the end of the financial year no options have been granted by the company and there are no outstanding options on issue at the date of this report.

Indemnification and Insurance of officers and auditors

The company does not have a Directors' and Officers' insurance against liability which may arise from holding the position of Director or Officer.

The company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the company or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Remuneration Report (audited)

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The Board remuneration policy is to ensure the remuneration package properly reflects the duties and responsibilities of the director. The Remuneration Committee ascertains non-executive Director remuneration and also staff remuneration which are separate and distinct. Remuneration is set by the Board of Directors. The company has a remuneration policy aimed at retention of key technical staff to ensure the progression and commercialisation of the company's technologies.

The company is managed by the Managing Director, supported by the Board of Directors. The company does not have senior executive staff. The company has no employees that are specified executives.

Executive Directors are solely remunerated by fixed remuneration packages, including base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to super funds.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 22 November 2007 when shareholders approved an aggregate remuneration of \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually.

Each non-executive director either receives a fee for being a director of the company and, if other services are provided, under a consultancy agreement. An additional fee may be payable for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

Non-executive directors have long been encouraged by the Board to hold shares in the company (purchased by the director on market or issued in lieu of fees at a market price). It is considered good governance for directors to have a stake in the company. The non-executive directors of the company can participate in the Employee Share Purchase Plan.

Consequences of performance on shareholder wealth

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|--------------|-------------|---------|-----------|-------------|-----------|-----------|
| Profit (loss) attributable to owners of the Company | (26,935,454) | (9,091,040) | 976,321 | (843,257) | (3,286,662) | 3,724,532 | 2,843,549 |
| Share price (\$) as at 30 June | 0.001 | 0.006 | 0.005 | 0.01 | 0.02 | 0.01 | 0.03 |

The overall level of compensation does not take into consideration the profit and/or share price. The overall level of compensation has remained at the same level since 2007 and Austpac Resources N.L. will re-evaluate the level of compensation when the mineral technologies have been commercialised.

Executive director remuneration

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company.

Remuneration consists of fixed remuneration only, and as such does not vary with the company's performance.

Fixed Remuneration

Objective

Remuneration is set by the Board of Directors and compensation levels for key management personnel are competitively set to attract

and retain appropriately qualified and experienced personnel. Remuneration levels reflect a cost containment programme implemented in March 2018.

Structure

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to super funds.

Variable Remuneration

There is no variable performance related remuneration.

Employment contracts

Currently no employee is employed under contract.

Details of the nature and amount of each major element of the emoluments of each director of the company for the year ending 30 June 2018 are:

| | | | Short Term | | Post Employment | | |
|--------------------|------|---------|--------------------|--------------------------|------------------------------------|---------------------------------|---------|
| Directors | Year | Salary | Consulting Fees | Non-Monetary Benefits | Other long term ⁽ⁱⁱ⁾ | Superannuation Contributions | Total |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Mr M.J. Turbott | 2018 | 53,994 | - | 138,297 | 15,721 | 33,426 | 241,438 |
| | 2017 | 188,979 | _ | 134,399 | 27,122 | 35,000 | 385,500 |
| Mr T. Cuthbertson | 2018 | 52,500 | 26,250 | - | - | - | 78,750 |
| | 2017 | 70,000 | 35,000 | _ | - | _ | 105,000 |
| Mr R. Harrison (i) | 2018 | 16,667 | 11,667 | - | - | _ | 28,334 |
| | 2017 | 50,000 | 35,000 | _ | - | _ | 85,000 |
| Mr C. Iles | 2018 | 37,500 | 26,250 | - | - | _ | 63,750 |
| | 2017 | 15,000 | 10,500 | - | _ | - | 25,500 |
| Total | 2018 | 160,661 | 64,167 | 138,297 | 15,721 | 33,426 | 412,272 |
| | 2017 | 323,979 | 80,500 | 134,399 | 27,122 | 35,000 | 601,000 |

i. R Harrison resigned as Non-executive Director effective 31 October 2017.

Key management personnel receive additional benefits as non-cash benefits, as part of the terms and conditions of their appointment relating to motor vehicle leases, and insurance paid for the Managing Director. Consultancy fees relate to additional services provided by Messrs Cuthbertson, Harrison and Iles for professional time in excess of normal Director duties.

Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced personnel. Remuneration levels reflect a cost containment programme implemented in March 2018.

As at 30 June 2018 \$64,000 (\$69,750 at 30 June 2017) is outstanding to Directors for salaries and consulting fees and included in the remuneration table above.

Notsag Pty Limited, a company which provides corporate, financial, underwriting and guarantee services, employs Mr N. Gaston and provides his services as company secretary. Notsag Pty Limited received fees of \$109,200 during the financial year ended 30 June 2018 (\$236,600 – 2017).

EMPLOYEE SHARE PLANS

Directors are entitled to participate in the Employee Share Purchase Plan when issues are proposed. All issues under the plan are approved in Annual General Meeting before being allocated. No shares were issued under the plan during the financial year ended 30 June 2018.

End of remuneration report

Signed at Sydney this eleventh day of October 2018 in accordance with a resolution of the Board of Directors of Austpac Resources N.L.

T. Cuthbertson

Chairman

M.J. Turbott

Managing Director

ii. In accordance with AASB 119 Employee Benefits, annual leave is classified as another long-term employee benefit. Other long term benefits also include Long Service Leave accrued.

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 audit of Austpac Resources N.L. for the financial year ended 30 June 2018 there have been:

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

KPMG

KPMG

Daniel Camilleri
Partner

Sydney

11 October 2018

Corporate Governance Statement

This Statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

Board of Directors

The Board is responsible for the overall Corporate Governance of the consolidated entity including formulating its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

A description of the company's main corporate governance practices is set out below. All these practices were in place for the entire year.

Board Process

The Board usually holds 12 scheduled meetings every year plus any additional meetings as required. The agenda for Board meetings is prepared by the Company Secretary in conjunction with the Chairman and Managing Director. Standing agenda items include the Managing Directors report, financial report and project activity reports together with governance and compliance issues. Board papers are circulated in advance.

The monthly board papers include monthly and year to date financial reports for all projects and corporate expenditure. A monthly revised forecast for the financial year is presented at each Board Meeting and compared against approved budgets.

Twelve monthly budgets are submitted for the forthcoming financial year, three months in advance and reviewed three times for refinement and ultimate approval.

Three year and five year plans are maintained and revised in accordance with requirements and financial capability of the consolidated entity.

Composition of the Board

At the date of this report, the Board of Directors comprises a non-executive independent chairman, two independent Directors and the Managing Director.

The members of the Board of Directors appear on pages 7–8 of the Directors' Report with brief resumes and profiles. The Board elects Directors on the basis of Corporate requirements and project activity. High calibre independents with substantial experience at senior levels are sought when required. Directors are considered independent if they meet the following independent Directors standard:

- Is not a substantial shareholder of Austpac Resources N.L.;
- Has not within the last 3 years been employed in a senior capacity by Austpac Resources N.L. or been a director after ceasing to hold any such employment;
- Is not a principal or employee of a professional advisor to Austpac Resources N.L.;
- ✓ Is not a material supplier or customer of Austpac Resources N.L. or an officer of or directly or indirectly associated with a significant supplier or customer;
- Has no material contractual relationship with Austpac Resources N.L. or any of its associates other than as a director of Austpac Resources N.L.;
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of Austpac Resources N.L. and independently of management; and
- A Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Austpac Resources N.L.

In this context the Board considers material, any director-related business relationship that is or is likely in the future to be more than 10 per cent of the director-related business's revenue.

All directors are expected to act in the best interests of Austpac Resources N.L.

The members of each Board Committee are independent Directors. The Audit Committee and the Remuneration Committee are chaired by an independent Director and are composed of independent Directors.

Board Committees

Two permanent Board Committees have been established to assist in the execution of the Board's responsibilities as described below. These are:

- Audit Committee;
- Remuneration Committee.

These Committees have charters which are reviewed on a regular basis. All Board members are free to attend any meeting of any Board Committee. All Committees have access to professional advice from the employees within Austpac Resources N.L. and from appropriate external advisors. Committees may meet these external advisors without Management being present.

The Board does not have a Nomination Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Nomination Committee can be adequately handled by the full board.

AUDIT COMMITTEE

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be non-executive directors with a majority being independent. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The Committee also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit Committee during the year were:

- Mr R. Harrison (Chairman)
- ▲ Mr T. Cuthbertson
- Mr C. Iles

The profiles of these Directors are included on pages 7–8 of the Directors' Report. The Directors of this Committee are independent Directors.

The external auditors, the Managing Director and Company Secretary, are invited to Audit Committee meetings. The Committee meets at least twice a year.

The responsibilities of the Audit Committee include:

- reviewing the financial report and other financial information distributed externally;
- monitoring corporate risk assessment processes;
- reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- reviewing the nomination and performance of the auditor. The external auditors were appointed in 1985. The lead external audit engagement partner was last rotated in 2015;
- ▲ liaising with the external auditors and ensuring that annual and half-year statutory audits are conducted in an effective manner;
- monitoring the establishment of an appropriate internal control framework and considering enhancements;
- monitoring the establishment of appropriate ethical standards;
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and Stock Exchange Listing Rules and all other regulatory requirements;
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions;
- reviewing reports on any major defalcations, frauds and thefts from the company and ensuring that the company's Internal Control Plan is adhered to;
- improving the quality of the accounting function.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

Audit Planning

To discuss the external audit plan;

- To discuss any significant issues that may be foreseen;
- To discuss the impact of any proposed changes in accounting policies on the financial statements;
- 🚄 To review the nature and impact of any changes in accounting policies adopted by the consolidated entity during the year;
- To review the fees proposed for the audit work to be performed.

Prior to announcement of results

- ✓ To review the half-yearly and annual report prior to lodgment of those documents with the ASX, and any significant adjustments required as a result of the audit;
- ✓ To make the necessary recommendation to the Board for the approval of these documents.

Half-yearly and annual reporting

- To review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- To review the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval of the financial report.

The Managing Director and Company Secretary/Chief Financial Officer have declared in writing to the Board that Austpac Resources N.L. Financial Report for the year ended 30 June 2018 presents fairly, in all material respects, Austpac Resources N.L. financial condition and operational results and is in accordance with applicable Accounting Standards. The Committee has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the Committee's scope of responsibility. The Committee has a documented charter which incorporates the ASX Best Practice Guidelines.

The Committee assists the Board to fulfill its corporate governance and disclosure responsibilities in relation to financial reporting, internal control structure, risk management systems and external audit. This includes:

- exercising oversight of the accuracy and completeness of the financial statements and their adequacy for security holders, compliance with the Corporations Act 2001, ASX Listing Rules and other regulatory requirements;
- making informed decisions regarding accounting policies, practices and disclosures;
- reviewing the scope and results of operational risk reviews and external audits;
- assessing the performance and adequacy of Austpac Resources N.L.'s internal control framework including accounting, compliance and operational risk management controls;
- annual review of the external auditor's performance taking into account the duration of the appointments, date of partner rotation, fees paid and considering matters requiring discussion in the absence of Management; and
- other related matters including monitoring insurance coverage, related party transactions and monitoring litigation other than in the normal course of business.

The Audit Committee also has responsibility for the oversight and monitoring of risk management. It is also responsible for the nomination and removal of external auditors. The following principles and practices are adopted:

- ✓ The external auditor must remain independent of Austpac Resources N.L. at all times;
- ✓ The external auditor is to be appointed to all controlled entities in the Group;
- ✓ The external auditor must not undertake staff recruitment or provide internal audit, management, or IT consulting services to Austpac Resources N.L.;
- The external auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for Austpac Resources N.L. or audits its own professional expertise;
- ✓ The external audit engagement partner and review partner will be rotated every five years.

The external auditor provides an annual declaration of independence as required by the *Corporations Act 2001*, which is consistent with Professional Statement F.1 of the Code of Professional Conduct as recognised by Australia's professional accounting bodies.

Risk Management

Oversight of the risk management system

The Board oversees the establishment, implementation and annual review of Austpac Resources N.L. risk management system with assistance from the Audit Committee. Management has established and implemented a risk management system for assessing, monitoring and managing operational financial reporting and compliance risk for Austpac Resources N.L.

Functional systems of risk management and reporting between project level, senior management and the Board of Directors have been

established.

The Managing Director and the Company Secretary/Chief Financial Officer have declared, in writing to the Board that Austpac Resources N.L.'s financial reporting, risk management and associated compliance and controls have been assessed and are operating efficiently

During each Audit Committee meeting the Audit Committee reports to the Board on the status of risks through integrated risk management programmes aimed at ensuring all risks are identified, assessed and appropriately managed.

Risk Profile

In order to identify the material risks facing Austpac Resources N.L. and prioritise the actions necessary to mitigate these risks, an annual risk review is undertaken to identify, assess, monitor and manage the financial, operational and strategic risks.

Risk management and compliance and control

A robust risk management framework coupled with thorough internal reporting processes and highly qualified, competent and reliable staff provides Austpac Resources N.L. with a solid platform from which Austpac Resources N.L. manages the main areas of risk impacting the business.

Assessment of effectiveness

The effectiveness of risk management practices is assessed and reported to both Executive Management and the Audit Committee.

Commitment to shareholders and an informed market

The Board believes that security holders and the investment market generally, should be informed of all major business events that influence Austpac Resources N.L. in a timely and widely available manner. The full board of directors ensures that Austpac Resources N.L. meets its disclosure obligations under ASX Listing Rule 3.1.

Austpac Resources N.L. produces two sets of financial information annually; the half-yearly Financial Report for the six months to 31 December and the Annual Report and Financial Report for the year to 30 June. This is in addition to the Australian Stock Exchange quarterly working capital reports in July, October, January and April.

Shareholders have the right to attend the Annual General Meeting of Shareholders, usually held towards the end of November each year. Shareholders are provided with an explanatory memorandum on the resolutions proposed in the Notice of Meeting.

A copy of the Notice of Meeting is mailed to shareholders who are encouraged to vote on all resolutions. Unless specifically stated in the Notice of Meeting, all holders of securities are eligible to vote on all resolutions. In the event that shareholders cannot attend the Annual General Meeting of Shareholders they are able to lodge a proxy in accordance with the Corporations Act 2001. Proxy forms may be lodged by facsimile. Austpac Resources N.L.'s external auditor also attends the AGM and is available to answer any questions about the conduct of the audit and the audit report from security holders.

Staff and director trading in Austpac Resources N.L.'s securities

Austpac Resources N.L. Board members may only trade in Austpac Resources N.L.'s securities during a nominated trading window which is within three weeks after any announcement to the Australian Stock Exchange. At other times, they may trade with the concurrence of two Non-Executive Directors, one of which must be the Chairman. Trading in securities by Directors and senior staff at any time requires the consent of two Non-Executive Directors, one of which must be the Chairman. All other employees require the prior consent of the Managing Director to trade in securities.

Share trading policy

Austpac Resources N.L. approved a share trading policy on 10 January 2012. This policy was lodged with the Australian Securities Exchange on 10 January 2012.

REMUNERATION COMMITTEE

The Remuneration Committee meets in January each year or more frequently if Cost Containment programs are to be implemented. The members of the Remuneration Committee are:



Mr T. Cuthbertson (Chairman)



Mr C. Iles

The profiles of these Directors are included on page 7 of the Directors' Report. The Directors of this Committee are independent Directors.

The Remuneration Committee assists the Board in ensuring that Austpac Resources N.L.'s remuneration levels are appropriate in the markets in which it operates and are applied fairly to attract and retain appropriately qualified and experienced directors and senior staff. The Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies.

The Committee also has the responsibility to review and approve, on behalf of the Board, recommendations for annual staff remuneration made by Management and review and recommend to the Board:

- proposals for changes to remuneration policies and human resources issues which are referred to the Board by the Managing Director:
- remuneration recommendations relating to the Chairman, Non-Executive Directors, the Managing Director and senior Management, including incentive policies for the Managing Director and the senior Management team;
- Austpac Resources N.L. recruitment, retention and termination policies and procedures for senior Management;
- incentive schemes;
- superannuation arrangements;
- creation or amendment of any employee or executive share schemes; and
- the remuneration framework for Non-Executive Directors including the amount of directors' fees, any increase in the overall amount of directors' fees and any increase requiring security holder approval.

Code of conduct

The Group has advised each director, manager and employee to comply with the Group's Ethical Standards, covering:

- aligning the behaviour of the board and management with the code of conduct by maintaining appropriate core Group values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- In fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced;
- employment practices such as occupational health and safety, employment opportunity, training and education support, community activities, sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's;
- managing actual or potential conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking improper advantage of property, information or position for personal gain;
- reporting of unlawful or unethical behaviour including protection of those who report violations in good faith;
- the processes for monitoring and ensuring the compliance with the code of conduct.

Diversity

The board considers the appropriate blend of diversity on the board and in the Group's senior executive positions. The board also considers gender, age, ethnic and cultural diversity.

The key elements of the diversity policy considerations are as follows:

- increased gender diversity on the board and senior executive positions and throughout the Group;
- annual assessment of board gender diversity objectives and performance against objectives by the board and nomination committee.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

| | | CONSOLIDATED | |
|--|------|--------------|--------------|
| | | 2018 | 2017 |
| AUSTPAC RESOURCES N.L. AND ITS CONTROLLED ENTITIES | Note | \$ | \$ |
| Administrative expenses | | (1,834,914) | (2,106,011) |
| Results from operating activities | | (1,834,914) | (2,106,011) |
| Financial income | | 2,056 | 4,106 |
| Financial expenses | | (298,938) | (13,721) |
| Net financing income / (expense) | 2 | (296,882) | (9,615) |
| Impairment | 12 | (24,803,658) | (8,912,262) |
| (Loss) attributable to owners of company before tax | | (26,935,454) | (11,027,888) |
| Income tax benefit | 5 | - | 1,936,848 |
| (Loss) / Profit attributable to owners of company after tax | | (26,935,454) | (9,091,040) |
| Other comprehensive income for the period, net of income tax | | - | _ |
| Total comprehensive income for the period attributable to owners | | | |
| of company | | (26,935,454) | (9,091,040) |

| | | Cents | Cents |
|---|---|--------|-------|
| Basic (Loss) / earnings per share (cents) | 7 | (1.68) | (0.6) |
| Diluted (Loss) / earnings per share (cents) | 7 | (1.68) | (0.6) |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 24 to 41.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

| | CONSOLIDATED | | | | | |
|--|---------------|--------------------|----------------|--|--|--|
| AUSTPAC RESOURCES N.L. | Share Capital | Accumulated Losses | Total Equity | | | |
| AND ITS CONTROLLED ENTITIES | \$ | \$ | \$ | | | |
| | | , | | | | |
| Balance at 30 June 2016 | 86,063,392 | (50,670,775) | 35,392,617 | | | |
| Profit/ (loss) attributable to owners of company | - | (9,091,040) | (9,091,040) | | | |
| Other comprehensive income for period attributable | | | | | | |
| to owners of company | - | - | - | | | |
| Shares issued (net of underwriting costs) | 440,000 | - | 440,000 | | | |
| Balance at 30 June 2017 | 86,503,392 | (59,761,815) | 26,741,577 | | | |
| Balance at 30 June 2017 | 86,503,392 | (59,761,815) | 26,741,577 | | | |
| Profit/ (loss) attributable to owners of company | _ | (26,935,454) | (26,935,454) | | | |
| Other comprehensive income for period attributable | | (=5,525, 15 1) | (==,===, := :, | | | |
| to owners of company | _ | _ | _ | | | |
| Shares issued (net of underwriting costs) | 1,239,685 | _ | 1,239,685 | | | |
| Balance at 30 June 2018 | 87,743,077 | (86,697,269) | 1,045,808 | | | |

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 24 to 41.

Consolidated Statement of Financial Position

As at 30 June 2018

| | | CONSOLIDATED | |
|--|------|--------------|--------------|
| | | 2018 | 2017 |
| AUSTPAC RESOURCES N.L. AND ITS CONTROLLED ENTITIES | Note | \$ | \$ |
| ASSETS | | | |
| Cash and cash equivalents | 8 | 29,155 | 494,440 |
| Other receivables | 9 | 460,997 | 691,323 |
| Total Current Assets | | 490,152 | 1,185,763 |
| Property, plant and equipment | 11 | 125,823 | 159,301 |
| Intangible assets | 12 | 2,000,000 | 26,500,000 |
| Total Non-Current Assets | | 2,125,823 | 26,659,301 |
| Total Assets | | 2,615,975 | 27,845,064 |
| LIABILITIES | | | |
| Trade and other payables | 13 | 542,395 | 171,489 |
| Interest Bearing Liabilities and Converting Notes | 14 | 204,356 | 44,529 |
| Employee benefits | 15 | 763,203 | 750,896 |
| Total Current liabilities | | 1,509,954 | 966,914 |
| Interest Bearing Liabilities | 14 | 60,213 | 136,573 |
| Total Non-Current Liabilities | | 60,213 | 136,573 |
| Total Liabilities | | 1,570,167 | 1,103,487 |
| Net Assets | | 1,045,808 | 26,741,577 |
| EQUITY | | | |
| Issued capital | 16 | 87,743,077 | 86,503,392 |
| Accumulated losses | | (86,697,269) | (59,761,815) |
| Total equity | | 1,045,808 | 26,741,577 |

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on pages 24 to 41.

CONSOLIDATED

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

| | | 2018 | 2017 |
|---|------|-------------|-------------|
| AUSTPAC RESOURCES N.L. AND ITS CONTROLLED ENTITIES | Note | \$ | \$ |
| Cash Flows from Operating Activities | | | |
| Cash paid to suppliers and employees | | (1,322,554) | (1,805,987) |
| Interest received | | 2,056 | 4,106 |
| Interest paid | | (11,053) | (13,721) |
| Tax refund received | | 430,325 | 1,506,523 |
| Net cash from operating activities | 21 | (901,226) | (309,079) |
| Cash Flows from Investing Activities | | | |
| Payments for intangible assets: | | | |
| Mineral Technology Development | | (303,658) | (133,230) |
| Proceeds from sale of property, plant and equipment | | _ | 40,000 |
| Net cash from investing activities | | (303,658) | (93,230) |
| Cash Flows from Financing Activities | | | |
| Proceeds from issue of share capital | | 213,500 | 331,000 |
| Proceeds from converting notes | | 593,000 | _ |
| Payment of finance lease liabilities | | (66,901) | (46,802) |
| Net cash from financing activities | | 739,599 | 284,198 |
| Net increase/(decrease) in cash held | | (465,285) | (118,111) |
| Cash and cash equivalents at 1 July | 8 | 494,440 | 612,551 |
| Cash and cash equivalents at 30 June | 8 | 29,155 | 494,440 |

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 24 to 41.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 1: Significant Accounting Policies

(A) SIGNIFICANT ACCOUNTING POLICIES

Austpac Resources N.L. (the "company") is a company domiciled in Australia. The consolidated financial report of the company for the year ended 30 June 2018 comprises the company and its subsidiaries (the "consolidated entity"). The consolidated entity is a for profit entity, and is primarily involved in the development of mineral processing technology and exploration of mineral sand deposits and gold deposits.

Austpac Resources N.L. principal registered office is Level 3, 62 Pitt Street, Sydney NSW 2000.

The financial report was authorised for issue by the directors on 11 October 2018.

Statement of Compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The company and the consolidated entity's financial report also complies with the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board.

(B) BASIS OF PREPARATION

The financial report is presented in Australian dollars, which is the company's functional currency.

The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report.

(C) GOING CONCERN

The consolidated entity has a net current asset deficiency of \$1,019,802 at 30 June 2018 (2017 net current asset surplus: \$218,849).

The 30 June 2018 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 receipt of outstanding funds from existing shares issues, funding offered by potential new investors, further shares issues to existing shareholders, the successful commercialisation of mineral technologies, the sale of surplus assets or receipt of R&D tax returns. Subsequent to year end the consolidated entity has received \$200,000 as a loan from a Director, Terry Cuthbertson. The loan has a 13 month term from 3 October 2018 and repayable in cash or convertible to equity at the discretion of the lender. The loan is interest bearing at 5% per annum payable on completion of the loan period.

In addition, the Directors have received a commitment of \$500,000 funding from an existing shareholder, and implemented cost containment measures.

Notwithstanding the \$200,000 Director loan, \$500,000 committed by an existing shareholder and the cost containment measures, without:

- ✓ the receipt of outstanding funds from existing share issues;
- funding offered by potential new investors;
- further share issues to existing shareholders;

- successful commercialisation of mineral technologies;
- sale of surplus assets;
- the receipt of R&D tax returns

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 are 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 30 June Financial Report.

(D) BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

In the company's financial statements, investments in subsidiaries are carried at the lower of cost or recoverable amount.

(ii) Jointly controlled operations and assets

The interest of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iii) Transactions eliminated on consolidation

All intragroup balances and transactions, including any unrealised gains or losses are eliminated on consolidation.

(E) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(F) PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1 (K)). The carrying amount of property, plant and equipment is reviewed annually by directors to ensure that it is not in excess of the recoverable amount from those assets. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment (calculated as the difference between proceeds from disposal and the carrying amount of the item) is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. The property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- ✓ fixtures and fitting, and property, plant and equipment 7 years
- leased plant and equipment and motor vehicles 10 years

The residual value and actual lives are assessed at each reporting date.

(G) INTANGIBLE ASSETS - MINERAL TECHNOLOGY DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy 1(K)).

Amortisation

Mineral technology development assets are not currently being amortised as the policy applied by the consolidated entity is to amortise these assets on a systematic basis over projected revenue streams once commercial licence agreements have been agreed.

(H) INTANGIBLE ASSETS – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations, in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment, accounting policy 1(K)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

(I) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs, subsequent to initial recognition, these assets are measured at amortised cost less impairment losses (see accounting policy 1 (K)).

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash balances and call deposits.

(K) IMPAIRMENT

The carrying amounts of the consolidated entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

Recoverable amounts are estimated annually for intangible assets not yet available for use. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(L) EMPLOYEE BENEFITS

Liabilities for employee entitlements for wages, salaries and annual and long service leave represent present obligations resulting from employees' services up to reporting date, based on current wage and salary rates, including related on-costs. Obligations for contributions

to defined contribution superannuation plans are recognised as an employee benefit expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the periods during which services are rendered by employees. Obligations for employee benefits that are due or are expected to be paid more than 12 months after the end of the period in which the employees render the service are inflated for future expected salaries and discounted to their present value using the appropriate Milliman discount rate.

(M) PROVISIONS

Provisions are recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(N) TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value plus any directly attributable costs, subsequent to initial recognition, these liabilities are measured at amortised cost.

(O) REVENUE

Revenue from License Fees are recognised in the profit or loss initially in proportion to the stage of completion of the transaction at the reporting date, then once completed on a straight line basis over the life of the agreement. The stage of completion is assessed by reference to surveys of work performed, when the work performed cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable in accordance with the underlying agreement.

(P) EXPENSES

Operating lease payments

Payments made under operating leases are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease.

Net financing costs

Interest income and expense is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as it accrues, using the effective interest method.

(Q) INCOME TAX

Income tax on the profit/(loss) for the years presented comprises current and deferred tax. Income tax is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date and any adjustment to tax payable in respect of previous years. Deferred assets and liabilities are recognised for temporary differences between the tax values of assets and their carrying amounts in the financial statements.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(R) DERIVATIVES

The consolidated entity is exposed to changes in interest rates and commodity prices from its activities. The consolidated entity does not hedge these risks.

(S) SEGMENT REPORTING

The consolidated entity operates in one segment only, being Mineral Sands and Mineral Sands Technology Development in Australia. The measure used by the chief operating decision maker to evaluate performance is profit/loss before tax.

(T) ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Recoverability of intangible assets

The carrying amount of intangible assets relate to mineral technology development totaling \$2,000,000 (2017: \$26,500,000). The consolidated entity assesses intangibles which are not being amortised annually in accordance with the accounting policy in note 1(K). The ultimate recoupment of cost carried forward are dependent upon the successful development, commercialisation or sale of the respective technology.

(U) GOODS AND SERVICES TAX

Revenue, 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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part 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 statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financial activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(V) NEW STANDARDS/INTERPRETATIONS NOT YET ADOPTED

New Accounting Standards

There were no new accounting standards or interpretations adopted for the first time in these Financial Statements.

New Accounting Standards and Interpretations that are not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. The Consolidated Entity and the Company do not plan to adopt these standards early.

AASB 9 - Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carried forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 July 2018, with early adoption permitted. As the Consolidated Entity or the Company do not have hedging arrangements, this will not have a significant impact to the Consolidated Entity, the Company or their results.

AASB 15 – Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. AASB 15 is effective for annual reporting periods beginning on or after 1 July 2018, with early adoption permitted. The Consolidated Entity or the Company has assessed the impact of this new standard and do not consider that this will have a significant impact to the Consolidated Entity, the Company or their results.

AASB 16 - Leases

AASB 16 removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of a lease. In particular, companies will now recognise a frontloaded pattern of expenses for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption will be permitted for entities that also adopt AASB 15 *Revenue from Contracts with Customers*. The Consolidated Entity or the Company have not yet assessed the impact of AASB 16.

CONSOLIDATED

| | 2018 | 2017 |
|--|-----------|----------|
| | \$ | \$ |
| Note 2: Net Financing Costs | | |
| Interest income | 2,056 | 4,106 |
| Interest expense | (11,053) | (13,721) |
| Converting note finance expense | (287,885) | - |
| Net financing (expense)/income | (296,882) | (9,615) |
| Note 3: Auditors' Remuneration Audit Services – KPMG Australia | | |
| Audit and review of financial reports | 93,300 | 96,885 |
| | 93,300 | 96,885 |

CONSOLIDATED

| | CONSO | LIDATED |
|--|--------------|--------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Note 4 Personnel Evennes | | |
| Note 4: Personnel Expenses Wages, salaries and leave entitlements taken | 355,665 | 431,000 |
| Contributions to defined contribution superannuation funds | 64,889 | 104,673 |
| Increase / (decrease) in liability for employee benefits | 12,307 | (74,964) |
| indicase (decrease) in instituty for employee serients | 12,507 | (7 1,50 1) |
| | 432,861 | 460,709 |
| | | |
| Note 5: Income Tax Expense | | |
| Recognised in the statement of comprehensive income | | |
| Current tax (benefit)/expense | | |
| Current period income tax (benefit)/expense | (7,865,636) | (3,037,817) |
| R&D Refund | _ | 1,936,848 |
| Deferred tax expense | | |
| Current year deferred tax assets not recognised | 7,865,636 | 3,037,817 |
| Income tax benefit in statement of comprehensive income | _ | 1,936,848 |
| Numerical reconciliation between tax benefit and pre-tax net profit / loss | | |
| (Loss) before tax | (26,935,454) | (11,027,888) |
| Prima facie income tax benefit / (expense) | 8,080,636 | 3,308,366 |
| Non-deductible expenses | (215,000) | (270,549) |
| R&D Refund | _ | 1,936,848 |
| Current year deferred tax assets not recognised | (7,865,636) | (3,037,817) |
| Income tax benefit on pre-tax net profit / (loss) | _ | 1,936,848 |

| | 2018 | 2017 |
|---|-------------|-----------|
| | \$ | \$ |
| Note 6: Deferred Tax Assets and Liabilities | | |
| Deferred tax assets and (liabilities) are attributable to the following: | | |
| Mineral technology development | 7,441,097 | (453,529) |
| Employee benefits | 228,961 | 225,269 |
| Unused tax losses | (7,670,058) | 228,260 |
| Net tax (asset)/liability | - | - |
| Deferred tax assets not recognised | | |
| Deferred tax assets not recognised because it is probable that the benefits | | |
| will be utilised against future taxable profits or future capital gains comprise: | | |
| Unused tax losses | 13,977,823 | 6,112,187 |

The deductible temporary differences do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits therefrom.

Included in the \$13,977,823 of unused tax losses not recognised is \$2,090,291 of unused capital losses.

Note 7: Earnings Per Share

The calculation of basic and diluted earnings per share at 30 June 2018 was based on the loss attributable to ordinary shareholders of \$26,935,454 loss (2017: \$9,091,040 loss) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2018 of 1,602,073,900 (2017: 1,513,692,397), calculated as follows:

| | CONSOLIDATED | |
|---|---------------|---------------|
| | 2018 2017 | |
| Weighted average number of shares | | |
| Issued ordinary shares at 1 July | 1,528,660,976 | 1,484,660,976 |
| Effect of shares issued | 73,412,924 | 29,031,421 |
| Weighted average number of ordinary shares at 30 June | 1,602,073,900 | 1,513,692,397 |
| Earnings per share | 2018 cents | 2017 cents |
| Basic (loss) / earnings per share (cents) | (1.68) | (0.6) |
| Diluted (loss) / earnings per share (cents) | (1.68) | (0.6) |

| | CONSOLIDATED | |
|-----------------------------------|--------------|---------|
| | 2018 | 2017 |
| | \$ | \$ |
| Note 8: Cash and cash Equivalents | | |
| Bank balances | 29,155 | 494,440 |
| | | |
| Note 9: Other Receivables | | |
| Current | | |
| Share capital receivable | 375,500 | 109,000 |
| Cash held on deposit | 69,403 | _ |
| Other receivables | 16,094 | 151,998 |
| R&D receivable | _ | 430,325 |
| | 460,997 | 691,323 |

| | | HOLDING | |
|-----------------------------------|-----------------------------------|---------|------|
| | | 2018 | 2017 |
| Note 10: Consolidated Ent | ities | | |
| PARTICULARS IN RELATION TO THE CO | MPANY AND ITS CONTROLLED ENTITIES | | |
| Parent Entity: | Austpac Resources N.L. | | |
| Significant Subsidiaries: | Almeth Pty Ltd | 100% | 100% |
| | Austpac Technology Pty Ltd | 100% | 100% |

All controlled entities are incorporated in Australia and carry on business in Australia.

CONSOLIDATED

| | CONSOLIDATED | | |
|---|---|------------------|---------------------|
| | Plant and Fixtures and Equipment Fittings Total | | Total |
| | \$ | \$ | \$ |
| Note 11: Property, Plant and Equipment Cost | | | |
| Balance at 1 July 2016 Acquisitions | 1,467,165 – | 61,926 - | 1,529,091 – |
| Disposals | - | - | _ |
| Balance at 30 June 2017 | 1,467,165 | 61,926 | 1,529,091 |
| Balance at 1 July 2017 Acquisitions Disposals | 1,467,165 - - | 61,926 - - | 1,529,091 – – |
| Write down | (1,254,828) | (61,926) | (1,316,754) |
| Balance at 30 June 2018 | 212,337 | - | 212,337 |
| Depreciation and impairment losses | | | |
| Balance at 1 July 2016 | 1,276,423 | 61,926 | 1,338,349 |
| Depreciation for the year | 31,441 | - | 31,441 |
| Balance at 30 June 2017 | 1,307,864 | 61,926 | 1,369,790 |
| Balance at 1 July 2017 | 1,307,864 | 61,926 | 1,369,790 |
| Depreciation for the year | 33,478 | - | 33,478 |
| Reversal of depreciation on write down | (1,254,828) | (61,926) | (1,316,754) |
| Balance at 30 June 2018 | 86,514 | - | 86,514 |
| Carrying amounts | | | |
| At 30 June 2016 | 190,742 | _ | 190,742 |
| At 30 June 2017 | 159,301 | _ | 159,301 |
| At 30 June 2017 | 159,301 | - | 159,301 |
| At 30 June 2018 | 125,823 | - | 125,823 |

The consolidated entity leases motor vehicles under finance lease agreements. At 30 June 2018 the net carrying amount of the leased motor vehicles, classified under plant and equipment was \$125,823 (2017: \$159,301). The leased equipment secures lease obligations (note 18).

| | Mineral Technology Development Total | |
|----------------------------|--------------------------------------|--------------|
| | \$ | \$ |
| Note 12: Intangible Assets | | |
| Balance at 1 July 2016 | 35,279,032 | 35,279,032 |
| Expenditure | 133,230 | 133,230 |
| Impairment | (8,912,262) | (8,912,262) |
| Balance at 30 June 2017 | 26,500,000 | 26,500,000 |
| Balance at 1 July 2017 | 26,500,000 | 26,500,000 |
| Expenditure | 303,658 | 303,658 |
| Impairment | (24,803,658) | (24,803,658) |
| Balance at 30 June 2018 | 2,000,000 | 2,000,000 |

Note 12: Intangible Assets continued

Austpac Resources N.L. mineral technology development relates to the Newcastle Zinc Iron Recovery Plant (NZIRP). The ultimate recoupment of costs carried forward are dependent upon the successful development and commercialisation of the technology and licencing of the technology.

The recoverable amount of mineral technology development assets was based on a fair value model. Key assumptions used in the valuation of the mineral technology development assets include cash flow estimates of both product and licence cash inflows and a terminal value based on a 2.5% growth rate. A discount rate of 22% (post tax) was used to discount these cash flows. Exclusion of the remaining expected licence cash inflows, as a result of there being no committed licensing arrangements, decreased the carrying value by \$20,220,000, with an additional \$4,583,658 impairment of NZIRP as a result of the deferment of expected cashflows from the NZIRP being commercialised resulted in a total impairment expense of \$24,803,658 during the year.

| | CONSOLIDATED | |
|---|--------------|-----------|
| | 2018 | 2017 |
| | \$ | \$ |
| Note 13: Trade and Other Payables | | |
| Other trade payables and accrued expenses | 478,395 | 101,739 |
| Related party payable | 64,000 | 69,750 |
| | 542,395 | 171,489 |
| | | |
| Note 14: Interest Bearing Liabilities and Converting Notes | | |
| This note provides information about the contractual terms of the consolidated entity's loans and borrowings. For more information about the consolidated entity's exposure to interest rates, see note 23. | | |
| Current Liabilities | | |
| Finance lease liabilities | 76,356 | 44,529 |
| Converting note | 128,000 | - |
| Non-Current Liabilities | | |
| Finance lease liabilities | 60,213 | 136,573 |
| The consolidated entity's lease liabilities are secured by the leased assets of \$125,823 | | |
| per Note 11, (2017: \$159,301), as in the event of a default, the assets revert to the lessor. | | |
| Unsecured Converting Notes | Number | Number |
| Balance at 1 July 2017 | - | _ |
| Unsecured converting notes issued on 11 January 2018 | 578,000 | 578,000 |
| Unsecured converting notes issued on 11 April 2018 | 100,000 | 100,000 |
| Unsecured converting notes converted to shares during the year | (550,000) | (550,000) |
| Balance at 30 June 2018 | 128,000 | 128,000 |

Unsecured converting notes represent the outstanding balance at 30 June 2018 under an unsecured converting note facility with Bergen Global Opportunity Fund II, LLC. The fair value of the outstanding balance as at 30 June 2018 is deemed to be the face value of the unsecured converting notes outstanding as at 30 June 2018, \$128,000. The fair value of the financial derivative instrument within the unsecured converting notes as at 30 June 2018 is deemed to be nil.

On 11 January 2018, the Company entered an arrangement with Bergen Global Opportunity Fund II, LLC, to obtain \$1,000,000 in funding. The agreement was for the issue of two tranches of unsecured converting notes. The first tranche for 578,000 unsecured converting notes with a face value of \$1 per note and the second tranche of 500,000 unsecured converting notes with a face value of \$1 per note. The agreement also required the issue of 6,800,000 collateral shares and 16,498,316 commencement fee shares upon the issuance of the first tranche. The 6,800,000 of collateral shares were required to be paid by Bergen for cash consideration at the share price prevailing at the end of the agreement. The unsecured converting notes are for a variable number of Austpac shares.

At the Company's Extraordinary General Meeting held on 28 February 2018, members resolved to approve the issue of the unsecured converting notes. The first Tranche included the issue of 578,000 unsecured converting notes each with a face value of \$1 per note,

Note 14: Interest Bearing Liabilities and Converting Notes continued

6,800,000 collateral shares and 16,498,316 commencement fee shares in consideration for cash of \$493,000 (net of legal fees incurred by Bergen). The 6,800,000 collateral shares were also approved at the Extraordinary General Meeting.

On 11 April 2018, the Company amended the second tranche of the agreement to provide the remaining \$500,000 investment as an immediate payment of \$100,000 in cash for 100,000 unsecured converting notes with a face value of \$1 per note, followed by 400,000 unsecured converting notes with a face value of \$1 per note in 90 days for cash of \$400,000. The agreement was terminated by mutual consent on 17 July 2018 prior to receipt of the remaining \$400,000.

During the year, the following share distributions occurred in respect of the arrangement:

On 12 January 2018 16,498,316 commencement fee shares were issued at 0.9 cents each for a total value of \$148,485 as well as 6,800,000 collateral shares at 0.9 cents each for a total value of \$61,200.

In addition the following share distributions occurred in respect of notes converted:

| Date | Face value unsecured converting notes | Number of shares | Share price \$ |
|------------------|---------------------------------------|------------------|-------------------|
| 21 February 2018 | \$75,000 | 15,000,000 | 0.005 |
| 13 March 2018 | \$75,000 | 18,750,000 | 0.004 |
| 28 March 2018 | \$50,000 | 12,500,000 | 0.004 |
| 4 April 2018 | \$75,000 | 25,000,000 | 0.003 |
| 20 April 2018 | \$100,000 | 33,333,333 | 0.003 |
| 1 May 2018 | \$100,000 | 40,000,000 | 0.0025 |
| 29 May 2018 | \$75,000 | 75,000,000 | 0.001 |
| Total | \$550,000 | 219,583,333 | |

In aggregate, under the converting note agreement, during the year ended 30 June 2018, the company received \$593,000 proceeds and issued equity to the value of \$759,685.

As at 30 June 2018, 128,000 unsecured converting notes with a face value of \$1 per note remain outstanding and are recognised as an unsecured converting note liability. On 4 July 2018 they were converted into 128,000,000 shares at \$0.001 cents each for a total value of \$128,000.

On 27 July 2018 Bergen paid \$6,800 for the 6,800,000 collateral shares at \$0.001 cents each for a total value of \$6,800. The \$6,800 of cash has been recognised as other receivables on the statement of financial position as at 30 June 2018.

The unsecured converting note financing expense of \$287,885 on the arrangement has been recognised in the profit and loss for the year ended 30 June 2018 as a cost being the difference in the fair value of the cash consideration received and the fair value of the unsecured converting notes and shares issued during the year.

Debt Classification of Unsecured Converting Notes

Notwithstanding the unsecured converting notes contractual obligations include many of the obligations of equity (and converting to the Company's shares), as the unsecured converting notes include a contractual obligation for the Company to deliver a variable number of its own shares, while there was any balance remaining on the unsecured converting notes, the Company classified them as liability in accordance with accounting standards.

Note 15: Employee Benefits

Current

Liability for long service leave Liability for annual leave

| CONSOLIDATED | | |
|--------------|---------|--|
| 2018 | 2017 | |
| \$ | \$ | |
| | | |
| | | |
| | | |
| 510,820 | 541,638 | |
| 252,383 | 209,258 | |
| 763,203 | 750,896 | |

| | CONSO | LIDATED |
|--|------------|------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Note 16: Contributed Equity | | |
| Issued and paid up Capital | | |
| 1,815,742,625 (2017: 1,452,860,976) ordinary shares | 86,950,577 | 85,710,892 |
| 75,800,000 (2016: 75,800,000) ordinary shares paid to \$0.01 | 792,500 | 792,500 |
| | 87,743,077 | 86,503,392 |
| Movements in Ordinary Share Capital | | |
| Balance at the beginning of the financial year | 86,503,392 | 86,063,392 |
| | | |
| Shares Issued: | | |
| Placement of 25,000,000 ordinary shares to Australian Investors at 1 cent each — September 2018 | _ | 250,000 |
| Placement of 19,000,000 ordinary shares to Australian Professional Investors | | |
| at 1 cent each – March 2017 | - | 190,000 |
| Placement of 30,000,000 ordinary shares to Australian Professional Investors | | |
| at 1 cent each – January 2018 ⁽¹⁾ | 300,000 | _ |
| Placement to Bergen – collateral shares – January 2018 converting note agreement – 6,800,000 ordinary shares at 0.9 cents each | 61,200 | _ |
| Placement to Bergen – commencement fee shares January 2018 converting note | - 1,2-1 | |
| agreement – 16,498,316 ordinary shares at 0.9 cents each | 148,485 | _ |
| February 2018. Placement to Bergen (conversion of converting notes) | | |
| 15,000,000 ordinary shares at 0.5 cents each | 75,000 | _ |
| March 2018. Placement to Bergen (conversion of converting notes) | | |
| 18,750,000 ordinary shares at 0.4 cents each | 75,000 | _ |
| March 2018. Placement to Bergen (conversion of converting notes) | | |
| 12,500,000 ordinary shares at 0.4 cents each | 50,000 | _ |
| April 2018. Placement to Bergen (conversion of converting notes) | | |
| 33,333,333 ordinary shares at 0.3 cents each | 100,000 | _ |
| April 2018. Placement to Bergen (conversion of converting notes) | | |
| 25,000,000 ordinary shares at 0.3 cents each | 75,000 | _ |
| May 2018. Placement to Bergen (conversion of converting notes) | | |
| 40,000,000 ordinary shares at 0.25 cents each | 100,000 | - |
| May 2018. Placement to Bergen (conversion of converting notes) | | |
| 75,000,000 ordinary shares at 0.1 cents each | 75,000 | - |
| Placement of 90,000,000 shares to Australian investors at 0.2 cents each – | 4 | |
| June 2018 ⁽²⁾ | 180,000 | _ |
| Movement of the year | 1,239,685 | 440,000 |
| Balance at the end of the financial year | 87,743,077 | 86,503,392 |

Share issues made during the year were to increase the working capital of the Company and to develop the Newcastle Iron Recovery

- (1) As at 30 June 2018 \$225,500 remained outstanding as an Other Receivable in respect of this share placement. As at 11 October 2018, nil remained outstanding in respect of this share placement.
- (2) As at 30 June 2018 \$150,000 remained outstanding as an Other Receivable in respect of this share placement. As at 11 October 2018, \$145,000 remained outstanding in respect of this share placement.

Note 16: Contributed Equity continued

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 \$4,133,483 (2017: \$3,866,983). In the event of winding up, ordinary shareholders rank after creditors.

Employee Share Purchase Plan

Of the 75,800,000 Employee Share Purchase Plan shares 22,540,000 were noted as forfeited by existing holders at the November 2015 Annual General Meeting. These shares are held in trust by the Directors for re-issue.

Dividends

No dividends were declared or paid during the financial year ended 30 June 2018 or 30 June 2017.

| i | | 47 | | • • | |
|---|------|-----|------|------|------|
| ı | Note | 1/: | Comn | าเtm | ents |

Exploration and evaluation expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the company and consolidated entity are required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State Government.

These obligations are subject to renegotiation when application for mining lease is made and at other times. These obligations are not provided for in the financial report and are payable.

Less than one year Between one and five years

| 2018 | 2017 |
|---------|---------|
| \$ | \$ |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| 163,551 | 163,551 |
| - | |
| 15,726 | 179,726 |
| 179,277 | 343,277 |

CONSOLIDATED

The above commitment relates to Austpac's interest in EL5291. The Company successfully renewed this licence in October 2015, expiring on 4 August 2019. The above commitments reflect the expected minimum exploration expenditure requirements under the new licence.

Note 18: Lease Liabilities

| | | | CONSO | DLIDATED | | | | |
|---|---|----------------|------------------|------------------------|------------------|-------------------|--|--|
| | | 2018 | | | 2017 | | | |
| | Minimum lease payments Interest Principal | | | Minimum lease payments | Interest | Principal | | |
| Within one year Between one and five years | 76,356 60,211 | 9,455 6,683 | 66,901 53,528 | 44,529 136,573 | 11,052 16,143 | 33,477 120,430 | | |
| Total | 136,567 | 16,138 | 120,429 | 181,102 | 27,195 | 153,907 | | |

The consolidated entity leases equipment under finance leases expiring from one to four years.

AUSTPAC RESOURCES NL

Note 18: Lease Liabilities continued

| | CONSOLIDATED | |
|--|--------------|---------|
| | 2018 | 2017 |
| | \$ | \$ |
| Operating Leases | | |
| Leases as lessee | | |
| Non-cancelable operating lease rentals are payable as follows: | | |
| Less than one year | 230,234 | 275,345 |
| Between one and five years | 223,544 | 529,505 |
| | 453,778 | 804,850 |

The consolidated entity leases property at Kooragang Island Newcastle and office property in Sydney.

During the year ended 30 June 2018, \$290,373 was recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases (2017: \$271,331).

Note 19: Key Management Personnel Disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors: Mr T. Cuthbertson (Chairman)

Mr R. Harrison (Retired 31/10/2017)

Mr C. Iles

Executive directors: Mr M. Turbott

Details of the nature and amount of each major element of the emoluments of each director of the company for the year ending 30 June 2018 are:

| Diverteur | Year | | Short Term Consulting | Non-Monetary | Other | Post Employment Superannuation | |
|--------------------|------|---------|-----------------------|--------------|----------------|--------------------------------|---------|
| Directors | теаг | Salary | Fees | Benefits | long term (ii) | Contributions | Total |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Mr M.J. Turbott | 2018 | 53,994 | - | 138,297 | 15,721 | 33,426 | 241,438 |
| | 2017 | 188,979 | - | 134,399 | 27,122 | 35,000 | 385,500 |
| Mr T. Cuthbertson | 2018 | 52,500 | 26,250 | _ | - | _ | 78,750 |
| | 2017 | 70,000 | 35,000 | _ | - | _ | 105,000 |
| Mr R. Harrison (i) | 2018 | 16,667 | 11,667 | _ | - | _ | 28,334 |
| | 2017 | 50,000 | 35,000 | _ | - | _ | 85,000 |
| Mr C. Iles | 2018 | 37,500 | 26,250 | - | _ | _ | 63,750 |
| | 2017 | 15,000 | 10,500 | - | _ | _ | 25,500 |
| Total | 2018 | 160,661 | 64,167 | 138,297 | 15,721 | 33,426 | 412,272 |
| | 2017 | 323,979 | 80,500 | 134,399 | 27,122 | 35,000 | 601,000 |

i. R Harrison resigned as Non-executive Director effective 31 October 2017.

Non monetary benefits relate to motor vehicles during the financial year and insurance paid for the Managing Director. Consultancy fees relate to additional services provided by Messrs Cuthbertson and Harrison for professional time in excess of normal Director duties in FY18.

As at 30 June 2018 \$64,000 (\$69,750 at 30 June 2017) is outstanding to Directors for salaries and consulting fees and included in the remuneration table above.

In accordance with AASB 119 Employee Benefits, annual leave is classified as another long-term employee benefit.
 Other long term benefits also include Long Service Leave accrued.

Note 19: Key Management Personnel Disclosures continued

Austpac Resources N.L. engaged MrT. Cuthbertson, Mr R. Harrison, and Mr C. Iles for the provision of consultancy services. The terms and conditions of the services are no more favourable than those available, or which might reasonable be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The details of the transactions are as follows:

| | | | 2018 | 2017 |
|----------------------|-------------------|------------------|--------|--------|
| | | Transaction | \$ | \$ |
| Specified Directors: | Mr T. Cuthbertson | Consultancy Fees | 26,250 | 35,000 |
| | Mr R. Harrison | Consultancy Fees | 11,667 | 35,000 |
| | Mr C. Iles | Consultancy Fees | 26,250 | 10,500 |

Equity Instruments

Movement in shares

The movement during the reporting period in the number of ordinary shares of Austpac Resources N.L. held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities is as follows:

| | 2018 | | | | 2017 | | | |
|---|-------------------|-----------|-----------|--------------------|-------------------|-----------|-----------|--------------------|
| Specified Directors: | Held at 1 July | Purchases | Forfeited | Held at 30 June | Held at 1 July | Purchases | Forfeited | Held at 30 June |
| Mr T. Cuthbertson – Fully Paid | | | | | | | | |
| Ordinary Shares | 166,667 | - | - | 166,667 | 166,667 | - | - | 166,667 |
| Partly PaidOrdinary Shares | 9,500,000 | _ | - | 9,500,000 | 9,500,000 | _ | - | 9,500,000 |
| Mr M. Turbott – Fully Paid | | | | | | | | |
| Ordinary Shares | 7,438,192 | _ | - | 7,438,192 | 7,438,192 | - | - | 7,438,192 |
| Partly PaidOrdinary Shares | 12,712,926 | _ | _ | 12,712,926 | 12,712,926 | _ | _ | 12,712,926 |
| Mr R. Harrison – Fully Paid Ordinary Shares | | | | | | | | |
| – Partly Paid Ordinary Shares | 9,000,000 | _ | _ | 9,000,000 | 9,000,000 | - | _ | 9,000,000 |

The above equity holdings include directors' entitlements arising under the consolidated entity Employee Share Purchase Plan and participation in the Shareholder Share Purchase Plan announced in September 2016. No shares were granted as compensation in 2018.

Options and rights over equity instruments

No options were granted since the beginning of the financial year.

Apart from the details disclosed in this note, no other Director has entered into a material contract with the company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Other transactions

Notsag Pty Limited, a company which provides corporate, financial, underwriting and guarantee services, employs Mr N. Gaston and provides his services as company secretary. Notsag Pty Limited received fees of \$109,200 during the financial year ended 30 June 2018 (\$236,600 – 2017). At 30 June 2018, Notsag has \$375,500 payable to the Company in relation to share capital issued.

Wholly owned group

Details of interests in wholly owned controlled entities are set out in Note 10.

Note 20: Events Subsequent to the end of the Financial Year

Since the end of the financial year ending 30 June 2018, Austpac Resources NL announced the placement of 90,000,000 fully paid ordinary Austpac Resources NL shares of \$0.002 each to Australian investors to raise \$180,000. The shares were issued prior to 30 June 2018 and an amount of \$150,000 was outstanding and recorded in Other Receivables as at 30 June 2018. As at the date of signing this report, \$145,000 remains outstanding to be received.

An amount of \$225,500 is recorded within Other Receivables and remains outstanding to be received as at 30 June 2018 relating to the 30,000,000 ordinary shares issued in January 2018. As at the date of signing this report \$225,500 of the outstanding Other Receivable has been receipted.

On 4 July 2018 the final 128,000 Bergen converting notes with a face value of \$1 per note were converted to shares. 128,000,000 shares were issued to Bergen at \$0.001 each for a total value of \$128,000. The agreement was terminated by mutual consent on 17 July 2018 prior to receipt of the remaining \$400,000 stipulated in the amended agreement.

On 3 October 2018 the company has received \$200,000 in accordance with a loan agreement entered into with Terry Cuthberston (Chairman). The loan is unsecured and with a repayment period of 13 months from 3 October 2018. When due for repayment, the loan may be repaid in cash or converted to shares at the discretion of the lender, with 5% p.a. interest payable on the completion of the loan period. The \$200,000 funds associated with this loan have been received by Austpac at the date of this report.

| Note 21: | |
|----------------------|-------------------------------------|
| Reconciliation of Ca | ash Flows from Operating Activities |
| (Loss) for the year | - |

| (2033) for the year |
|---|
| Adjustments for: |
| Depreciation |
| Loss on disposal of PPE |
| Impairment Expense |
| Finance expense on converting notes |
| Operating (loss) before changes in working capital and provisions |
| (Decrease)/increase in receivables |
| Increase/(decrease) in payables / provisions |
| |

| \$ | \$ |
|--------------|-------------|
| | |
| | |
| (26,935,454) | (9,091,040) |
| | |
| 33,478 | 28,605 |
| - | - |
| 24,803,658 | 8,912,262 |
| 287,885 | _ |
| (1,810,433) | (150,173) |
| 230,326 | (66,760) |
| 678,881 | (92,146) |
| (901,226) | (309,079) |

CONSOLIDATED

2017

2018

Note 22: Fair Value of Financial Assets and Liabilities

Fair values versus carrying amounts

Net cash used in operating activities

The Consolidated Entity's accounting policies and disclosures may require the measurement of fair values for both financial and non-financial assets and liabilities. The Consolidated Entity has an established framework for fair value measurement. When measuring the fair value of an asset or a liability, the Consolidated Entity uses market observable data where available.

Fair values are categorised into different levels in a fair value hierarchy based on the following valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability can be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Consolidated Entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Financial assets and liabilities are stated at cost. The fair values together with the carrying amounts shown in the financial statement of financial position are as follows:

Note 22: Fair Value of Financial Assets and Liabilities continued

| | Carrying amount 2018 | Fair value 2018 | Fair value hierarchy level | Carrying amount 2017 | Fair value 2017 | Fair value hierarchy level |
|-----------------------------|----------------------------|-----------------------|----------------------------------|----------------------------|-----------------------|----------------------------------|
| CONSOLIDATED | \$ | \$ | | \$ | \$ | |
| Trade and other receivables | 460,997 | 460,997 | 2 | 691,323 | 691,323 | 2 |
| Cash and cash equivalents | 29,155 | 29,155 | 1 | 494,440 | 494,440 | 1 |
| Finance lease liabilities | 136,569 | 136,569 | 2 | 181,102 | 181,102 | 2 |
| Trade and other payables | 542,395 | 542,395 | 2 | 171,489 | 171,489 | 2 |
| Converting notes | 128,000 | 128,000 | 2 | _ | _ | - |

Estimation of fair values

The following summarises the major methods and assumptions used in estimating fair values of financial instruments:

(1) Receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value, if the effect of discounting is material.

(2) Finance leases

The fair value is estimated at the present value of future cash outflows. Future cash flows are discounted using appropriate market rates.

Note 23: Financial Risk Management

Overview

This note presents information about the company's and consolidated entity's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The company and the consolidated entity do not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Credit Risk

Credit risk is the risk of financial loss to the consolidated entity and to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers.

Presently, the consolidated entity undertakes technology development and exploration and evaluation activities exclusively in Australia. At the balance date there were no significant concentrations of credit risk.

Cash and cash equivalents

The consolidated entity's limits its exposure to credit risk by only investing in cash deposits with major banks.

Trade and other receivables

The consolidated entity and the company are exposed to credit risk in relation to receivables recorded on the statement of financial position.

The company and consolidated entity have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The directors do not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

| | | 2018 2017 | |
|---------------------------|------|-----------|---------|
| | Note | \$ | \$ |
| Receivables | 9 | 460,997 | 691,323 |
| Cash and cash equivalents | 8 | 29.155 | 494,440 |

Note 23: Financial Risk Management continued

Guarantees

The consolidated entity's policy is not to provide financial guarantees.

Liquidity risk

Liquidity risk is the risk that the consolidated entity and the company will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The consolidated entity and the company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The consolidated entity does not have any external borrowings.

The company anticipates a need to raise additional capital in the next 12 months to meet forecast operational, construction and exploration activities. The decision on how the company will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| | Carrying amount | Contractual cash flows | 6 months or less | 6–12 months | 1–2 years | 2–5 years |
|---------------------------|-----------------|------------------------|---------------------|----------------|--------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Consolidated 30 June 2018 | | | | | | |
| Finance lease liabilities | 136,569 | 136,569 | 38,178 | 38,178 | 38,379 | 21,834 |
| Trade and other payables | 542,395 | 542,395 | 542,395 | - | - | - |
| Consolidated 30 June 2017 | | | | | | |
| Finance lease liabilities | 159,301 | 181,603 | 22,265 | 22,265 | 76,857 | 60,216 |
| Trade and other payables | 171,489 | 171,489 | 171,489 | - | - | - |

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The consolidated entity is not exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of consolidated entity entities, which is the Australian dollar (AUD).

The consolidated entity has not entered into any derivative financial instruments.

Exposure to currency risk

The consolidated entity and the company is not exposed to currency risk and at balance date the consolidated entity and the company holds no financial assets or liabilities which are exposed to foreign currency risk.

Interest rate risk

The consolidated entity is exposed to interest rate risk on cash investments, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The consolidated entity does not use derivatives to mitigate these exposures.

The consolidated entity adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit bearing interest income at commercial rates.

Profile

At the reporting date the interest rate profile of the consolidated entity's and the company's interest-bearing financial instruments was:

| | CONSOLIDATED CARRYING AMOUNT | | |
|--|------------------------------|---------|--|
| | 2018 2017 | | |
| | \$ | \$ | |
| Fixed rate instruments | | | |
| Financial assets (surplus cash invested) | 29,155 | 494,440 | |
| Financial liabilities (plant and equipment leases) | 136,569 | 181,102 | |

Note 23: Financial Risk Management continued

Fair value sensitivity analysis for fixed rate instruments

The consolidated entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Commodity Price Risk

The consolidated entity operates primarily in mineral sands and steel industry waste recycling technology development and in exploration and evaluation and accordingly the consolidated entity's financial assets and liabilities are subject to minimal commodity price risk.

Capital Management

The consolidated entity's objectives when managing capital are to safeguard the consolidated entity's ability to continue as a going concern, in order to maintain a strong capital base sufficient to maintain future technology development and exploration of projects. In order to maintain or adjust the capital structure, the consolidated entity may issue new shares or sell assets to reduce debt. The consolidated entity's focus has been to raise sufficient funds through equity to fund technology development and exploration and evaluation activities. The consolidated entity monitors capital on the basis of the gearing ratio, however there are no external borrowings at 30 June 2018.

The consolidated entity provides employees with opportunities to participate in the Austpac Resources N.L. Staff Share Purchase Plan.

There were no changes in the consolidated entity's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 24: Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2018 the parent entity of the Group was Austpac Resources N.L.

| | CONSOLIDATED | | |
|--|--------------|--------------|--|
| | 2018 | 2017 | |
| | \$ | \$ | |
| Result of parent entity | | | |
| (Loss) / Profit for the period | (26,935,454) | (9,091,040) | |
| Other comprehensive income | - | _ | |
| Total comprehensive (loss) / profit for the period | (26,935,454) | (9,091,040) | |
| Financial position of parent entity at year end | | | |
| Current assets | 490,152 | 1,185,763 | |
| Total assets | 2,615,975 | 27,845,064 | |
| Current liabilities | 1,509,954 | 966,914 | |
| Total liabilities | 1,570,167 | 1,103,487 | |
| Total equity of the parent entity comprising: | | | |
| Share capital | 87,743,077 | 86,503,392 | |
| Accumulated Losses | (86,697,269) | (59,761,815) | |
| Total equity | 1,045,808 | 26,741,577 | |

AUSTPAC RESOURCES NL

Directors' Declaration

- 1. In the opinion of the Directors of Austpac Resources N.L:
 - a) the consolidated financial statements and notes set out on pages 24 to 41 and the remuneration report in the Director's Report 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 30 June 2018 and of their performance for the year ended on that date; and
 - ii) complying with Australia Accounting Standards and the Corporations Regulations 2001;
 - b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(A); and
 - c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- 2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the individuals acting in the role of chief executive officer and chief financial officer functions for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Directors.

T. Cuthbertson

Director

M.J. Turbott

Sydney, 11 October 2018

Independent Auditor's Report



To the shareholders of Austpac Resources N.L.

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Austpac Resources N.L. (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended
 on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The Financial Report comprises:

- Consolidated Statement of financial position as at 30 June 2018
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The Group consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 (c), "Going Concern" in the Financial Report. The conditions disclosed in Note 1 (c), indicate a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Financial Report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Analysing cash flow projections by:
 - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past results and practices;

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

- Assessing the planned levels of operating and capital expenditures for consistency with our knowledge of the Group's future commitments and the Group's historic commitments and results, particularly in light of the history of loss making operations, the results since year end and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows including the impact of expected future capital raising for feasibility, quantum and timing. We used our knowledge of the Group, its industry and the current status of the expected future capital raisings to assess the level of associated uncertainty.
- Reading Directors' minutes and relevant correspondence to understand the Group's ability to raise additional shareholder funds, and assess the level of associated uncertainty.
- Evaluating the Group's going concern disclosures in the Financial Report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focussed on the principle matters giving rise to material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Intangible Asset (\$2,00,000)

Refer to Note 12 'Intangible Asses' to the Financial Report .

The key audit matter

Intangible asset capitalised relating to Mineral Technology Development is a key audit matter due to:

- the significance of the development activity to the Group's business and the significant intangible asset balance (being 76% of total assets); and
- the greater level of audit effort to evaluate the Group's application of the requirements of the accounting standard AASB 138 Intangible Assets, in particular the development phase conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators necessitates a detailed analysis by the Group of the value of the Intangible asset, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's assessment.

Impairment indicators in respect of the intangible asset include that the Group has not yet secured the remaining capital required to complete the intangible asset and that no licenses have yet been sold to third parties. We focused on the significant forward-looking assumptions the Group applied in their fair value less costs of disposal model to test for impairment including:

forecast operating cash flows – the Group has a history
of operating losses and is yet to successfully complete
development of the intangible asset, as a result the ability
to forecast future operating cash flows is more challenging.
These conditions increase the risk of inaccurate forecasts or
a wider range of possible outcomes for us to consider.

How the matter was addressed in our audit

Our procedures included:

- We considered the appropriateness of the fair value less costs of disposal method applied by the Group to perform the test of impairment against the requirements of the accounting standards.
- We assessed the integrity of the fair value less costs for disposal model used, including the accuracy of the underlying calculation formulas.
- We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the model. We noted previous trends for use in further testing.
- We considered the sensitivity of the model by varying key assumptions such as forecast operating cash flows, discount rates and timing of intangible asset completion, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.
- We assessed through evaluating the Group's correspondence with interested parties the likelihood and amount of licence income cash flows if successful completion of the intangible asset occurs.
- We challenged the Group's significant forecast operating cash flows in light of the operating losses and the intangible asset having not yet completed development.
 We compared key forecast events to the Board approved plan and strategy. We used our knowledge of the Group, their past performance and our industry experience.

- license income the Group intends to sell licenses to parties if the successful completion of the intangible asset occurs. Our testing focused on the likelihood of the Group selling these licences.
- discount rate the discount rate applied is complicated in nature and varies according to the conditions and environment specific to the intangible asset. The Group's modelling is highly sensitive to small changes in the discount rate. We involved our valuations specialists and senior team members with the assessment.
- timing of intangible asset completion the Group's modelling is sensitive to changes in the timing of successful completion of the intangible asset.

The Group recorded an impairment charge of \$24,803,658 against the intangible asset, resulting from a reassessment of the timing and likelihood of receiving licensing income from the sale of licenses and the expected and the timing of expected cashflows from the intangible asset being commercialised, increasing the sensitivity of the model to small changes in other key assumptions as above. This further increased our audit effort in this key audit area.

In assessing the conditions from the accounting standards allowing capitalisation of relevant expenditure, we focused on evidence of:

- the technical feasibility of completing the development of the intangible asset so that it will be available for use or sale:
- the Group's intention and availability of financial resources to complete the intangible asset and use or sell it; and
- the Group's determination of how the intangible asset will generate future economic benefits and the identification of a market for the output of the intangible asset.

- Working with our valuation specialists we analysed the Group's discount rate against publicly available data of a group of comparable entities.
- We recalculated the impairment charge against the recorded amount disclosed.
- We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Capitalisation of relevant expenditure

Our audit procedures included:

- We evaluated the consistency of the Group's accounting policy to recognise intangible assets in the development phase against the criteria in the accounting standards.
- We tested the Group's additions to the intangible asset for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard.
- We evaluated Group documents, such as minutes of Board meetings, the Group's ASX announcements and cash flow forecasts, for consistency with their stated intentions for continuing development and timing of completion of the intangible asset. We corroborated this through interviews with key operational and finance personnel.
- We discussed with Group technical experts, inspected Group ASX announcements and evaluated the Group's correspondence with third parties regarding the continued feasibility to complete the Mineral Technology. We checked third party patent records testing the Group's rights to patents in respect of the Mineral Technology.
- We evaluated the Group's correspondence with interested parties the Group's plans to sell licenses if successful completion of the intangible asset occurs.
- We analysed correspondence between the Group and potential investors and discussed with Group management regarding the status of negotiations with parties to invest the remaining capital required to complete the intangible asset.

Other Information

Other Information is financial and non-financial information in Austpac resources N.L.'s annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon[, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Compan's ability to continue as a going concern and whether the use of the going concern basis of
 accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern
 basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic
 alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Austpac Resources N.L. for the year ended 30 June 2018, complies with Section 300A of the Corporations Act 2001.

Director' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001.

Our responsibilities

We have audited the Remuneration Report included in pages 12 to 13 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMC

Daniel Camilleri

Partner

Sydney

11 October 2018

Additional Stock Exchange Information

Directors' Interests

The maximum contingent liability of the group for termination benefits under service agreements with directors and persons who take part in the management of the parent entity amount to \$nil at 30 June 2018.

Shareholdings

SUBSTANTIAL SHAREHOLDERS

The number of shares held by the substantial shareholders listed in the holding company's register as at 14 September 2018 was: NIL.

CLASS OF SHARES AND VOTING RIGHTS

At 14 September 2018 there were 3,932 holders of the ordinary shares of the holding company. The voting rights attaching to the ordinary shares, set out in Article 32 of the holding company's Articles of Association, are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares -

- a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and
- b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he holds."

Offices and Officers

Company Secretary: Nicholas John Gaston

Principal Registered Office: Level 3, 62 Pitt Street, Sydney NSW 2000

Telephone: (02) 9252 2599

Location of Registers of Securities: Link Market Services Limited

ecurities Registration Services, HSBC Building 680 George Street, Sydney NSW 2000

Austpac Resources N.L. is an Australian incorporated listed public no liability company domiciled in Australia.

Distribution of Shareholders as at 12 September 2018

| | Number of Ordinary Shareholders |
|--|------------------------------------|
| 1–1,000 | 185 |
| 1,001–5000 | 557 |
| 5,001–10,000 | 473 |
| 10,001–100,000 | 1,553 |
| 100,001 and over | 1,164 |
| | 3,932 |
| Holders of less than a marketable parcel | 3,360 |

The 20 largest shareholders hold 28.12% of the ordinary shares of the holding company.

20 Largest Shareholders as at 12 September 2018

| Kronos International Inc. 76,470,588 3.41 Prestcorp Pty Limited 71,549,408 3.19 Rosemarie Cremona 46,114,018 2.06 Mr Tugcan Rauf Sackesen 37,000,000 1.65 Mr Richard Louden Delaney & Mr Ian Arthur Cains 36,191,196 1.61 Orient Zirconic Resources (Australia) Pty Ltd 33,000,000 1.47 Christopher Leech 32,533,721 1.45 FGDG Super Pty Ltd 29,000,000 1.29 Mr Rik Deaton 28,480,000 1.27 Barrios Pty Ltd 26,900,311 1.20 State One Capital Group P/L 26,683,873 1.19 Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.75 | | Number of Ordinary Shares Held | Percentage (%) held to Issued Capital |
|---|---|-----------------------------------|--|
| Rosemarie Cremona 46,114,018 2.06 Mr Tugcan Rauf Sackesen 37,000,000 1.65 Mr Richard Louden Delaney & Mr Ian Arthur Cains 36,191,196 1.61 Orient Zirconic Resources (Australia) Pty Ltd 33,000,000 1.47 Christopher Leech 32,533,721 1.45 FGDG Super Pty Ltd 29,000,000 1.29 Mr Rik Deaton 28,480,000 1.27 Barrios Pty Ltd 26,900,311 1.20 State One Capital Group P/L 26,683,873 1.19 Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Kronos International Inc. | 76,470,588 | 3.41 |
| Mr Tugcan Rauf Sackesen 37,000,000 1.65 Mr Richard Louden Delaney & Mr Ian Arthur Cains 36,191,196 1.61 Orient Zirconic Resources (Australia) Pty Ltd 33,000,000 1.47 Christopher Leech 32,533,721 1.45 FGDG Super Pty Ltd 29,000,000 1.29 Mr Rik Deaton 28,480,000 1.27 Barrios Pty Ltd 26,900,311 1.20 State One Capital Group P/L 26,683,873 1.19 Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Prestcorp Pty Limited | 71,549,408 | 3.19 |
| Mr Richard Louden Delaney & Mr Ian Arthur Cains 36,191,196 1.61 Orient Zirconic Resources (Australia) Pty Ltd 33,000,000 1.47 Christopher Leech 32,533,721 1.45 FGDG Super Pty Ltd 29,000,000 1.29 Mr Rik Deaton 28,480,000 1.27 Barrios Pty Ltd 26,900,311 1.20 State One Capital Group P/L 26,683,873 1.19 Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Rosemarie Cremona | 46,114,018 | 2.06 |
| Orient Zirconic Resources (Australia) Pty Ltd 33,000,000 1.47 Christopher Leech 32,533,721 1.45 FGDG Super Pty Ltd 29,000,000 1.29 Mr Rik Deaton 28,480,000 1.27 Barrios Pty Ltd 26,900,311 1.20 State One Capital Group P/L 26,683,873 1.19 Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Mr Tugcan Rauf Sackesen | 37,000,000 | 1.65 |
| Christopher Leech 32,533,721 1.45 FGDG Super Pty Ltd 29,000,000 1.29 Mr Rik Deaton 28,480,000 1.27 Barrios Pty Ltd 26,900,311 1.20 State One Capital Group P/L 26,683,873 1.19 Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Mr Richard Louden Delaney & Mr Ian Arthur Cains | 36,191,196 | 1.61 |
| FGDG Super Pty Ltd 29,000,000 1.29 Mr Rik Deaton 28,480,000 1.27 Barrios Pty Ltd 26,900,311 1.20 State One Capital Group P/L 26,683,873 1.19 Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Orient Zirconic Resources (Australia) Pty Ltd | 33,000,000 | 1.47 |
| Mr Rik Deaton 28,480,000 1.27 Barrios Pty Ltd 26,900,311 1.20 State One Capital Group P/L 26,683,873 1.19 Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Christopher Leech | 32,533,721 | 1.45 |
| Barrios Pty Ltd 26,900,311 1.20 State One Capital Group P/L 26,683,873 1.19 Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | FGDG Super Pty Ltd | 29,000,000 | 1.29 |
| State One Capital Group P/L 26,683,873 1.19 Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Mr Rik Deaton | 28,480,000 | 1.27 |
| Robert Charles Claxton 26,137,885 1.17 Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Barrios Pty Ltd | 26,900,311 | 1.20 |
| Mr Colin Mark Costello & Mrs Cherie Costello 25,445,003 1.14 Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | State One Capital Group P/L | 26,683,873 | 1.19 |
| Mr Stephen Joseph Harris 22,500,000 1.00 Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Robert Charles Claxton | 26,137,885 | 1.17 |
| Mr Michael J. Turbott 20,151,117 0.89 Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Mr Colin Mark Costello & Mrs Cherie Costello | 25,445,003 | 1.14 |
| Breakthrough Pty Ltd 20,000,000 0.89 Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Mr Stephen Joseph Harris | 22,500,000 | 1.00 |
| Allowside Pty Ltd 19,350,000 0.86 Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Mr Michael J. Turbott | 20,151,117 | 0.89 |
| Claxton R&E Pty Ltd 19,159,217 0.85 Mr Ivan James Bota 17,419,870 0.78 | Breakthrough Pty Ltd | 20,000,000 | 0.89 |
| Mr Ivan James Bota 17,419,870 0.78 | Allowside Pty Ltd | 19,350,000 | 0.86 |
| | Claxton R&E Pty Ltd | 19,159,217 | 0.85 |
| Trandara Ptv Ltd 16.820.614 0.75 | Mr Ivan James Bota | 17,419,870 | 0.78 |
| 192391 | Trandara Pty Ltd | 16,820,614 | 0.75 |
| 630,906,821 | | 630,906,821 | |

Corporate Directory

MEMBERS OF THE BOARD

Mr Terry Cuthbertson ACA

Chairman

Mr Michael J. Turbott BSc (Hons), FAusIMM, FAIG

Managing Director

Mr Colin Iles

Director

SECRETARIES

Mr Nicholas J. Gaston ACIS

Company Secretary

GENERAL MANAGERS

Mr John Winter BEng (Hons) – Chemical Engineering, MIEAust, MIChemE

General Manager, Technology Development

Mr Michael J. Smith BSc, MSc, RPGeo, FAIG, FGSA, Hon. MASEG

General Manager Exploration

AUDITOR

KPMG, Tower Three International Towers Sydney 300 Barangaroo Avenue Sydney NSW 2000

SOLICITORS

Emil Ford 580 George Street

Sydney NSW 2000

SHARE REGISTRY

Link Market Services Limited Securities Registration Services, Ernst and Young building Level 12, 680 George Street Sydney NSW 2000

BANKER

ANZ Bank

115 Pitt Street, Sydney, NSW 2000

STOCK EXCHANGE LISTING

Australian Securities Exchange Limited (Sydney)



ABN: 87 002 264 057

Level 3, 62 Pitt Street Sydney, NSW 2000

GPO Box 5297 Sydney, NSW 2001

Phone: +61 (0) 2 9252 2599
Fax: +61 (0) 2 9252 8299
Email: apgtio2@ozemail.com.au
www.austpacresources.com