

29 August 2019

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.
PRELIMINARY FINAL REPORT 30 JUNE 2019

We are pleased to provide Australian Stock Exchange preliminary final report for the year ended 30 June 2019.

Yours faithfully

N.J. Gaston
Company Secretary

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Appendix 4E

Preliminary final report

Name of entity

AUSTPAC RESOURCES N.L.

ABN or equivalent company
reference

87 002 264 057

Half yearly
(tick)

☐

Preliminary
final (tick)

☒

Financial year ended ('current period')

30 June 2019

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities (item 1.1)			to	-
Loss from ordinary activities after tax attributable to members (item 1.22)	Down	95.5%	to	1,206
Profit/Loss from extraordinary items after tax attributable to members (item 2.5(d))				-
Loss for the period attributable to members (item 1.11)	Down	95.5%	to	1,206

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

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

N/A

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

Condensed consolidated statement of financial performance

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues from ordinary activities (<i>see items 1.23 -1.25</i>)	-	-
1.2 Expenses from ordinary activities (<i>see items 1.26 & 1.27</i>)	(1,206)	(26,935)
1.3 Borrowing costs	-	-
1.4 Share of net profits (losses) of associates and joint venture entities (<i>see item 16.7</i>)	-	-
1.5 Profit (loss) from ordinary activities before tax	(1,206)	(26,935)
1.6 Income tax benefit	-	-
1.7 Profit (loss) from ordinary activities after tax	(1,206)	(26,935)
1.8 Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)	-	-
1.9 Net profit (loss)	(1,206)	(26,935)
1.10 Net profit (loss) attributable to outside +equity interests	-	-
1.11 Net profit (loss) for the period attributable to members	(1,206)	(26,935)
Non-owner transaction changes in equity		
1.12 Increase (decrease) in revaluation reserves		
1.13 Net exchange differences recognised in equity		
1.14 Other revenue, expense and initial adjustments recognised directly in equity (attach details)		
1.15 Initial adjustments from UIG transitional provisions		
1.16 Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	-	-
1.17 Total changes in equity not resulting from transactions with owners as owners	-	-

Earnings per security (EPS)

	Current period	Previous corresponding Period
1.18 Basic EPS (in cents)	(0.0004 cents)	(1.68 cents)
1.19 Diluted EPS (in cents)	(0.0004 cents)	(1.68 cents)

30 June 2019 Preliminary Final Report

+ See chapter 19 for defined terms.

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	(1,206)	(26,935)
1.21 Less (plus) outside ⁺ equity interests	-	-
1.22 Profit (loss) from ordinary activities after tax, attributable to members	(1,206)	(26,935)

Revenue and expenses from ordinary activities

(see note 15)

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Revenue from Licence fee income	-	-
1.24 Interest revenue	-	-
1.26 Administration and corporate overheads	(1,161)	(2,132)
1.27 Depreciation and amortisation excluding amortisation of intangibles (<i>see item 2.3</i>)	(45)	(24,803)
Capitalised outlays		
1.28 Interest costs capitalised in asset values	-	-
1.29 Outlays capitalised in intangibles (unless arising from an ⁺ acquisition of a business)	-	-

Consolidated retained profits

	Current period - \$A'000	Previous corresponding period - \$A'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	(86,697)	(59,762)
1.31 Net profit (loss) attributable to members (<i>item 1.11</i>)	(1,206)	(26,935)
1.32 Net transfers from (to) reserves (<i>details if material</i>)	-	-
1.33 Net effect of changes in accounting policies	-	-
1.34 Dividends and other equity distributions paid or payable	-	-
I.F.R.S		
1.35 Retained profits (accumulated losses) at end of financial period	(87,903)	(86,697)

30 June 2019 Preliminary Final Report

+ See chapter 19 for defined terms.

Intangible and extraordinary items

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

Comparison of half year profits

(Preliminary final report only)

	Current year - \$A'000	Previous year - \$A'000
3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year (item 1.22 in the half yearly report)	(421)	(840)
3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year	(785)	(26,095)

Condensed consolidated statement of financial position		At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Current assets				
4.1	Cash	472	29	20
4.2	Receivables	150	461	329
4.3	Investments	-	-	-
4.4	Inventories	-	-	-
4.5	Tax assets	-	-	-
4.6	Other (provide details if material)	-	-	-
4.7	Total current assets	622	490	349
Non-current assets				
4.8	Receivables	-	-	-
4.9	Investments (equity accounted)	-	-	-
4.10	Other investments	-	-	-
4.11	Inventories	-	-	-
4.12	Mineral technology development and exploration and evaluation expenditure capitalised (<i>see para .71 of AASB 1022</i>)	2,000	2,000	2,000
4.13	Development properties (+mining entities)	-	-	-
4.14	Other property, plant and equipment (net)	92	126	102
4.15	Intangibles (net)	-	-	-
4.16	Tax assets	-	-	-
4.17	Other (provide details if material)	-	-	-
4.18	Total non-current assets	2,092	2,126	2,102
4.19	Total assets	2,714	2,616	2,451
Current liabilities				
4.20	Payables	211	543	597
4.21	Interest bearing liabilities	217	204	248
4.22	Tax liabilities	-	-	-
4.23	Provisions	797	763	797
4.24	Other (Project Funds in Advance)	-	-	-
4.25	Total current liabilities	1,225	1,510	1,642
Non-current liabilities				
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	28	60	57
4.28	Tax liabilities	-	-	-
4.29	Provisions exc. tax liabilities	-	-	-
4.30	Other (provide details if material)	-	-	-
4.31	Total non-current liabilities	28	60	57

30 June 2019 Preliminary Final Report

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial position continued

4.32	Total liabilities	1,253	1,570	1,699
4.33	Net assets	1,461	1,046	752
	Equity			
4.34	Capital/contributed equity	89,365	87,743	87,871
4.35	Reserves	-	-	-
4.36	Retained profits (accumulated losses)	(87,904)	(86,697)	(87,119)
4.37	Equity attributable to members of the parent entity	1,461	1,046	752
4.38	Outside +equity interests in controlled entities	-	-	-
4.39	Total equity	1,461	1,046	752
4.40	Preference capital included as part of 4.37	-	-	-

Notes to the condensed consolidated statement of financial position

Technology, Exploration and evaluation expenditure capitalised

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

	Current period \$A'ooo	Previous corresponding period - \$A'ooo
5.1 Opening balance	2,000	26,500
5.2 Expenditure incurred during current period	360	303
5.3 Expenditure written off during current period	(360)	(24,803)
5.4 Acquisitions, disposals, revaluation increments, etc.	-	-
5.5 Expenditure transferred to Development Properties	-	-
5.5A I.F.R.S. Compliance Adjustment	-	-
5.6 Closing balance as shown in the consolidated balance sheet (item 4.12)	2,000	2,000

Development properties

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

	Current period \$A'ooo	Previous corresponding period - \$A'ooo
6.1 Opening balance	N/A	N/A

30 June 2019 Preliminary Final Report

+ See chapter 19 for defined terms.

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

Condensed consolidated statement of cash flows

	Current period \$A'ooo	Previous corresponding period - \$A'ooo
Cash flows related to operating activities		
7.1 Receipts from customers (licence fee income)	-	
7.2 Payments to suppliers and employees	(753)	(1,322)
7.3 Dividends received from associates		
7.4 Licence fee income		
7.5 Interest and other items of similar nature received	-	2
7.6 Interest and other costs of finance paid	-	(11)
7.7 Income taxes refund	-	430
7.8 Other (provide details if material)		
7.9 Net operating cash flows	(753)	(901)
Cash flows related to investing activities		
7.10 Payment for purchases of property, plant and equipment		
7.11 Proceeds from sale of property, plant and equipment		
7.12 Payment for purchases of equity investments		
7.13 Proceeds from sale of equity investments		
7.14 Loans to other entities		
7.15 Loans repaid by other entities		
7.16 Other (Mineral Technology and Development Expenditure and Exploration Expenditure)	(360)	(304)
7.17 Net investing cash flows	(360)	(304)
Cash flows related to financing activities		
7.18 Proceeds from issues of +securities (shares, options, etc.) / converting notes	1,622	807
7.19 Proceeds from borrowings		
7.20 Lease payments	(66)	(67)
7.21 Dividends paid		
7.22 Loan from related party		
7.23 Net financing cash flows	1,556	740
7.24 Net increase (decrease) in cash held	443	(465)

30 June 2019 Preliminary Final Report

+ See chapter 19 for defined terms.

7.25	Cash at beginning of period (see Reconciliation of cash)	29	494
7.26	Exchange rate adjustments to item 7.25.		
7.27	Cash at end of period (see Reconciliation of cash)	472	29

Non-cash financing and investing activities

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

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Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
8.1 Cash on hand and at bank	472	29
8.2 Deposits at call		-
8.3 Bank overdraft		-
8.4 Other (provide details)		-
8.5 Total cash at end of period (item 7.27)	472	29

Other notes to the condensed financial statements

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

Earnings per security (EPS)

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

Classification of securities as ordinary shares

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

- (a) ordinary shares

Classification of securities as potential ordinary shares

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

Earnings per security (EPS)	Current period	Previous corresponding Period
Basic EPS (in cents)	(0.0004 cents)	(1.68 cents)
Diluted EPS (in cents)	(0.0004 cents)	(1.68 cents)

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Earnings reconciliation		
Net profit (loss)	(1,206)	(26,935)
Net profit (loss) attributable to outside equity interests		
Restatement of prior year earnings for effect of change in accounting policy adjusted directly against retained profits		
Basic earnings	(1,206)	(26,935)
After-tax effect of interest		-
Diluted earnings		
(Diluted EPS has not been calculated for ordinary shares as there are no potential ordinary shares on issue that are dilutive in respect of these shares).	-	-
Weighted average number of shares used as the denominator		
Number for basic earnings per share		
Ordinary shares	-	-

NTA backing (see note 7)

	Current period	Previous corresponding period
11.1 Net tangible asset backing per +ordinary security	N/A	N/A

Discontinuing Operations

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

12.1 Discontinuing Operations

N/A

Control gained over entities having material effect

13.1 Name of entity (or group of entities)

N/A

13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺acquired

\$

13.3 Date from which such profit has been calculated

13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

\$

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)

N/A

14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control

\$

14.3 Date to which the profit (loss) in item 14.2 has been calculated

14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period

\$

14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control

\$

30 June 2019 Preliminary Final Report

+ See chapter 19 for defined terms.

Dividends (in the case of a trust, distributions)

15.1 Date the dividend (distribution) is payable

N/A

15.2 ⁺Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if ⁺securities are not ⁺CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if ⁺securities are ⁺CHESS approved)

15.3 If it is a final dividend, has it been declared?
(Preliminary final report only)

Amount per security

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

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

(Preliminary final report only)

15.8 ⁺Ordinary securities

15.9 Preference ⁺securities

Current year	Previous year
¢	¢
¢	¢

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

Preliminary final report - final dividend (distribution) on all securities

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

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

N/A

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

N/A

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

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

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

16.7 Share of net profit (loss) of associates and joint venture entities		
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Material interests in entities which are not controlled entities

N/A

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

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

Issued and quoted securities at end of current period

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

Category of +securities	Total number	Number quoted	Issue price per security	Amount paid up per security
18.1 Preference +securities (description)	-	-	-	-
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	-	-	-	-
18.3 +Ordinary securities	2,908,615,092	2,834,002,166	-	-

	Total number	Number quoted	Issue price per security	Amount paid up per security
18.4 Changes during current period				
(a) Increases through issues				
Placement of 128,000,000 ordinary shares to Bergen at 0.01 cents each – July 2018		128,000,000	\$0.01	\$0.01
Placement of 108,500,000 ordinary shares to Australian Professional Investors at 0.002 cents each – January 2019		108,500,000	\$0.002	\$0.002
Shareholder Share Purchase Plan 426,233,334 ordinary shares at 0.001 cents each – April 2019		426,233,334	\$0.001	\$0.001
Placement of 365,000,000 ordinary shares to YanGang (HK) Co Limited at 0.0022 cents each – April 2019		365,000,000	\$0.0022	\$0.0022
Placement of 21,900,000 ordinary shares to Vingo Holdings at 0.0022 cents each – May 2019		21,900,000	\$0.0022	\$0.0022
Other - Balance of				
(b) Share purchase shares	21,062,926			\$0.01
(c) Increase through issues				
(d) Forfeited shares held for re-issue	53,550,000			
(e) Converting notes				
18.5 +Convertible debt securities (description and conversion factor)	-	-	-	-
18.6 Changes during current period				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
18.7 Options (description and conversion factor)	-	-	Exercise price	Expiry date (if any)
18.8 Issued during current period				
18.9 Exercised during current period				
18.10 Expired during current period				
18.11 Debentures (description)				
18.12 Changes during current period				
(a) Increases through issues				
(b) Decreases through securities matured, converted				

18.13 Unsecured notes <i>(description)</i>	-	-
Changes during current period		
18.14 (a) Increases through issues		
(b) Decreases through securities matured, converted		

Segment reporting

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

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

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

Business segments

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

Geographical segments

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

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

Australia Mineral Exploration, Mineral sands and technology development

Primary Reporting Geographic Segments	AUSTRALIA		CONSOLIDATED	
	2019 \$'000's	2018 \$'000's	2019 \$'000's	2018 \$'000's
Revenue				
External segment revenue	-	-	-	-
Inter-segment revenue	-	-	-	-
Total segment revenue	-	-	-	-
Other unallocated revenue				
Total revenue	-	-	-	-
Result				
Segment result – Profit / (loss)	(1,206)	(26,935)	(1,206)	(26,935)
Share of net profit or loss/result of equity accounted investments				
Unallocated corporate expenses				
Profit from ordinary activities before income tax				
Income tax (expense) / benefit				
Profit from ordinary activities after income tax				
Extraordinary items after tax				

30 June 2019 Preliminary Final Report

+ See chapter 19 for defined terms.

Net profit / (loss)	<u>(1,206)</u>	<u>(26,935)</u>	<u>(1,206)</u>	<u>(26,935)</u>
Depreciation and amortisation		-		-
Non-cash expenses other than depreciation and amortisation		-		-
Individually significant items		-		-

COMMENTARY

CORPORATE

In January 2019 Austpac Resources NL received a Research and Development tax concession refund for \$318,003 for 2018. In January 2019 Austpac announced a placement of 108,500,000 fully paid ordinary shares at \$0.002 each with Australian investors to raise \$217,000. In February 2019 Austpac announced a Shareholder Share Purchase Plan.

Shareholder Share Purchase Plan

The Company received an excellent response to the Shareholder Share Purchase Plan announced on 1 February 2019. Small shareholders in particular have supported the plan very well.

The Shareholder Share Purchase Plan had been extended to 15 April 2019 to allow those shareholders who are not aware of our recent progress to participate.

The Shareholder Share Purchase Plan was completed and announced on 26 April 2019 raising \$426,233 from over ninety shareholders.

Chinese Steelmaker to Fund the Development of Austpac's ZIRP Process

In March 2019 Austpac Resources NL announced an agreement for YanGang (Hong Kong) Co Limited to provide funds of \$803,000 to finalise the testwork for Austpac's proprietary Zinc Iron Recovery Process (ZIRP). The process recycles two steel industry by-products, zinc-contaminated furnace dust and spent pickle liquor, and produces saleable pig iron, zinc oxide and strong hydrochloric acid.

Once the testwork program is successfully completed, Austpac will undertake a scoping study for 10-15,000 tonnes per year commercial ZIRP plant to be sited in NSW, and the Agreement contains a provision for YanGang to fund the construction of the first ZIRP plant.

YanGang, a wholly-owned subsidiary of Tangshan Yanshan Iron and Steel Co Ltd of China. Yanshan is a Chinese steelmaker with an annual production of 9 million tonnes of steel; more than the combined steel production of Australia and New Zealand.

The Agreement required the \$803,000 to be provided through a placement of 365 million Austpac shares at \$0.0022; a significant premium over the current share price of \$0.001. This required shareholder approval and an Extraordinary General Meeting of Shareholders was convened on 24th April 2019. At that meeting, on a show of hands and by proxy, shareholders overwhelmingly supported the proposal to place shares with YanGang, and the funds have now been received. YanGang now is Austpac's largest shareholder with 12.6% of the Company's issued capital.

The testwork program at Newcastle will process zinc-contaminated dust through the first three stages of ZIRP (evaporation, pyrohydrolysis and pre-reduction) to make sufficient mixed zinc oxide-reduced iron oxide pellets for melt tests in an electric induction furnace and produce samples of pig iron and zinc oxide for market evaluation.

This validation of Austpac's furnace dust recycling process by a large steelmaker will allow the Company to develop other opportunities to implement its technology worldwide.

ZIRP Program Underway at Newcastle

Austpac is pleased to advise that a design and fabrication engineering group has now commenced work on improvements to the fluid bed evaporator (EVAP), as well as the modification of an existing roaster into a dual-purpose fluid bed roaster for the pyrohydrolysis (PYRO) and pre-reduction (FBPR) stages of Austpac's Zinc Iron Recovery Process ("ZIRP"). This process recycles two steel industry by-products, zinc-contaminated furnace dust and spent pickle liquor (SPL), and produces saleable pig iron, zinc oxide and strong hydrochloric acid.

The engineering group is initially focused on the modeling and design of several improvements for the EVAP unit so that fabrication, installation and re-commissioning can commence. This unit has previously been operated successfully, and the improvements will enable Austpac to complete the production run of the mixed oxide-chloride pellets while the fluid bed roaster is being fabricated, installed and commissioned.

The EVAP pellets will be campaigned through the PYRO stage to produce HCl as well as zinc-iron oxide pellets, and then through the FBPR stage to produce sufficient zinc-reduced iron oxide pellets for melt tests at a commercial foundry in an electric induction furnace (EIF).

The first three process stages have been proven, and the objective of the program is to prove the fourth stage, the EIF, which will produce samples of pig iron and oxide for market evaluation. This will complete the proof of concept ZIRP process testwork program and lead to commercialization opportunities in Australia and worldwide.

ZIRP Testwork Program Progress

- ZIRP modeling and design of improvements finalised.
- ZIRP products saleable products from steel industry by-products.
- With three process stages previously proven, test work is underway to prove final stage of ZIRP process.
- Completion testwork program will lead to national and worldwide commercialisation.

Austpac is pleased to advise that the modeling and design of improvements to equipment are finalised. This is required for the testwork program to prove the final stage of the Company's Zinc Iron Recovery Process ("ZIRP"). ZIRP produces saleable pig iron, zinc oxide and strong hydrochloric acid from two steel industry by-products, zinc-contaminated furnace dust and spent pickle liquor (SPL).

As the EVAP, PYRO and FBPR process stages have been previously proven, and the objective of the ZIRP testwork is to prove the fourth process stage; melting FBPR pellets in an electric induction furnace (the EIF stage) to produce samples of pig iron and zinc oxide for market evaluation.

The design, fabrication, modification and installation redesigned plenum for the EVAP unit and the refurbishment and installation of a fluid bed roaster for the PYRO and FBPR stages is being undertaken by Compass Engineering Solutions, onsite and at their facilities on the Central Coast, NSW. Austpac's management team also undertook upgrade activities on ancillary equipment at the plant.

The completion of the proof of concept testwork for the ZIRP process in the coming months will lead to opportunities for commercialization in the Australian and the steel industry worldwide.

Progress includes:

Fluid Bed Evaporator (EVAP) (stage 1)

- Fabrication of the plenum for the EVAP unit nearing completion.
- Internal modifications to the EVAP unit complete.
- New pumps to deliver the furnace dust slurry and the SPL to the unit installed.
- The stirred mixing tank for the furnace dust slurry has been replaced with a bottom-fed fluidized tank to ensure a constant density slurry feed to the EVAP is maintained.

Pyrohydrolysis and Fluid Bed Pre-Reduction (PYRO & FBPR) (Stage 2 and 3)

- An existing 250mm fluid bed roaster will be used in campaigns to undertake the two process stages. Compass Engineering's workshop is repairing and modifying this roaster.
- Compass has also installed support infrastructure for the roaster.
- An existing scrubber and pumps have been relocated to handle the roaster off-gases.
- Compass is also fabricating two new screw conveyors to feed the pellets and coal into the roaster and one to remove the solid products.

Ongoing work at Newcastle

Installation of the new plenum and infrastructure for the EVAP unit commenced in July 2019, at the same time the upgraded dual fluid bed (PYRO and FBPR) will be installed.

Commissioning will commence once the modifications to the plant are completed.

Nhill Drilling Program

On 5th May 2019, Austpac commenced a drilling program at Nhill in western Victoria to follow up the highly encouraging zinc-gold intercepts encountered in Cambrian basement volcanic encountered in the discovery drillhole, GG-01. Interpretation of subsequent ground magnetic and gravity surveys indicates two north westerly-trending targets which could represent thick lenses of Volcanic-Hosted Massive Sulphide (VHMS) mineralisation, analogous to the narrow, well-mineralised intercepts in GG-01.

The new-hole, GG-02, was located 400m to the south-east of GG-01, and inclined at 55 degrees to test the central portion of the western target zone. The hole was designed to pass through the 250m thick sequence of unconsolidated Murray basin sediments with mud rotary drilling, before commencing diamond drilling to obtain core to a depth of approximately 400m below surface from the underlying basement.

Unlike GG-01, a vertical hole, GG-02 encountered unexpectedly difficult ground conditions deep in the overlying sediments, possibly exacerbated by the angle of the hole. Mud rotary HQ casing was used to a depth of 188m. narrower diameter NQ rods were then used to continue the hole until 270m, when the rotary bit could not be advanced from 188m, commencing expensive diamond drilling at 270m with 88m of NQ drill rods unprotected by casing, would entail the very high risk that the soft sediments would squeeze onto the rods and the entire drill string would be lost. It was therefore decided to stop drilling operations immediately, defer the program and re-drill the target at a later date using different equipment.

The discovery in GG-01 of VHMS massive sulphide mineralisation at the unexplored north-western end of the Stavelly Arc, an ancient volcanic island arc hidden beneath 250m of cover sediments is highly encouraging. The two targets subsequently delineated by geophysics are as yet untested. The mineralisation in GG-01 is interpreted as being the distal end of one of the targets, and therefore follow up drilling is warranted. Austpac is the only company with an exploration tenement in this prospective region of the Stavelly Arc that is actively exploring beneath the thick cover of Murray Basin Sediments. The opportunity for discovery of hitherto unknown VHMS deposits far outweighs the challenge of drilling through the sediments.

Austpac therefore plans to restart drilling at Nhill after the winter crops have been harvested and during dry weather conditions.

Appointment of Director – Mr Geoff Hiller

In May 2019 Mr Geoff Hiller was appointed to the board of Directors of Austpac Resources N.L. as a non-executive Director.

Mr Hiller is a mining engineer with over 20 years mining industry experience including feasibility, financing, development and construction of projects.

Mr Hiller also has finance, metals trading and corporate management experience gained in the mining industry.

Mr Hiller is currently Chief Executive Officer of Malachite Resources Limited.

Mr Hiller holds a Bachelor of Engineering Mining (Hons) from the University of Melbourne, a Bachelor of Civil Engineering (Hons) from the University of Sydney and MBA from the Australian Graduate School of Management (University of NSW).

Basis of financial report preparation

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

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

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

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

None

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

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

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

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

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

-

- 19.8 The financial report has been prepared on the basis of a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The directors believe that the company and the consolidated entity will be able to fund future operations through share issues, the successful commercialisation of mineral technologies and the joint venturing of interests held in mineral projects.

Without the equity raisings and joint venturing or sale of interests held in mineral tenements and projects there is uncertainty whether the consolidated entity will be able to continue as a going concern.

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

Additional disclosure for trusts

20.1 Number of units held by the management company or responsible entity or their related parties.

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20.2 A statement of the fees and commissions payable to the management company or responsible entity.

Identify:

- initial service charges
- management fees
- other fees

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Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

TO BE ADVISED

Date

28 NOVEMBER 2019

Time

4:30 PM

Approximate date the ⁺annual report will be available

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Compliance statement

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

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

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

(Tick one)

☐

The ⁺accounts have been audited.

☐

The ⁺accounts have been subject to review.

☐

The ⁺accounts are in the process of being audited or subject to review.

☒

The ⁺accounts have *not* yet been audited or reviewed.

- 4 The audit report is not attached.
- 5 The entity does have a formally constituted audit committee.

Sign here: Date: 29 August 2019
(Company Secretary)

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