



AUSTPAC RESOURCES N.L.

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ABN 87 002 264 057

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30 September 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.**  
**AUDITED STATUTORY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

We are pleased to provide audited financial statements for the year ended 30 June 2019.

Yours faithfully

N.J. Gaston  
Company Secretary

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Austpac Resources N.L. Financial Statements  
30 June 2019

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# 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 2019 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**  
**Age 69**

**Chairman**

Mr Cuthbertson is currently Chairman of MyNetFone Ltd, South American Iron & Steel Ltd, Malachite Resources Ltd and a non executive Director of Mint Payments Ltd. He was previously 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.

**COLIN ILES**  
**Age 58**

**Non-Executive Director**

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 Comerals 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.

**GEOFF HILLER BEng - Mining (Hons), BEng - Civil (Hons), MBA**  
**Age 56**

**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).

Mr Hiller was appointed a Director of Austpac Resources N.L. on 2 May 2019.

**MICHAEL J. TURBOTT BSc (Hons), FAusIMM, FAIG (retired 31 January 2019) Managing Director**  
**Age 75**

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. Mr Turbott resigned as a Director of Austpac Resources N.L. on 31 January 2019.

# Directors' Report (continued)

## Company Secretary

Mr Gaston is a Chartered Secretary with 46 years listed public company experience including Lend Lease Corporation, Peko Wallsend Limited and American Metals Climax (AMAX).

## 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	-	20,166,667
Michael J. Turbott	11,867,785	3,283,333
Colin Iles	-	-
Geoff Hiller	-	-

## 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		Remuneration Committee	
			Meetings attended	Meetings Held	Meetings attended	Meetings Held
Terry Cuthbertson	12	12	2	2	1	1
Michael J. Turbott	7	7	1*	1	1*	1
Colin Iles	12	12	2	2	1	1
Geoff Hiller	2	2	-	-	-	-

\* 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

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 24<sup>th</sup> 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.

# Directors' Report (continued)

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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 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.

# Directors' Report (continued)

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## **Nhill Drilling Program**

On 5<sup>th</sup> 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, possible 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).

# Directors' Report (continued)

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## **Future Potential of Technologies to be further developed**

Synthetic rutile technology which has been developed by Auspac 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, Auspac will progress with technology licenses to the steel and related industries for use of the technologies utilised at the Newcastle plant.

## **Exploration Division**

Auspac 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**

Auspac Resources N.L. reported a loss after tax for the year ending 30 June 2019 of \$853,612 (2018: \$26,935,454 loss).

The consolidated entity has a net current asset deficiency of \$249,424 at 30 June 2019 (2018: \$1,019,802).

## **Financial Forecast**

As at 30 June 2019 Auspac Resources N.L. carries no structured or secured debt and all technology assets are unsecured.

Auspac 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**

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

Key business risks applicable to Auspac Resources N.L. include risks associated with access to continual funding, the commercialisation of Auspac's technology and Auspac'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 2019, there have been no subsequent events which affect the financial position of the company other than the technology revenue transaction with Lido Holdings Limited for information in an internal conceptual scoping study undertaken by Auspac in 2006. Lido paid \$1.5 million for this synthetic rutile technology package. The transaction does not represent a sale of any of Auspac technologies or the transfer of ownership of any Intellectual Property to Lido.

# Directors' Report (continued)

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## **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.



# Directors' Report (continued)

## 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 Board of Directors. The company does not have senior executive staff. The company has no employees that are specified executives. There are no Executive Directors.

#### 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.

	2019	2018	2017	2016	2015	2014	2013	2012
Profit (loss) attributable to owners of the Company	(853,612)	(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	0.001	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 Auspac 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 2019.

##### 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.

# Directors' Report (continued)

## 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 2019 are:

Directors	Year	Short Term				Other long term (i)	Post Employment Superannuation Contributions	Total
		Directors Fees	Salaries	Consulting Fees	Non-Monetary Benefits			
M.J Turbott	2019	-	-	-	97,605	15,721	-	113,326
	2018	-	53,994	-	138,297	15,721	33,426	241,438
T Cuthbertson	2019	17,500	-	8,750	-	-	-	26,250
	2018	52,500	-	26,250	-	-	-	78,750
C Iles	2019	12,500	-	8,750	-	-	-	21,250
	2018	37,500	-	26,250	-	-	-	63,750
G Hiller	2019	8,333	-	5,833	-	-	-	14,166
	2018	-	-	-	-	-	-	-
R Harrison	2019	-	-	-	-	-	-	-
	2018	16,667	-	11,667	-	-	-	28,334
<b>Total</b>	<b>2019</b>	<b>38,333</b>	<b>-</b>	<b>23,333</b>	<b>90,378</b>	<b>-</b>	<b>-</b>	<b>174,992</b>
	2018	106,667	53,994	64,167	138,297	15,721	33,426	412,272

(i). 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.

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. Consultancy fees relate to additional services provided by Messrs Cuthbertson, Hiller 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 2019 \$52,500 (\$64,000 at 30 June 2018) is outstanding to Directors for 2018 and 2019 Directors fees 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 \$48,400 during the financial year ended 30 June 2019 (\$109,200 - 2018). Notsag Pty Limited received \$142,560 for underwriting services in the financial year ending 30 June 2019 (\$NIL - 2018).

## 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 2019.

Signed at Sydney this thirtieth day of September 2019 in accordance with a resolution of the Board of Directors of Austpac Resources N.L.



**T. Cuthbertson**  
Chairman



**C. Iles**  
Director



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

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE  
CORPORATIONS ACT 2001  
TO THE DIRECTORS OF AUSTPAC RESOURCES N.L. AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

MNSA Pty Ltd

MNSA Pty Ltd

**Mark Schiliro**  
Audit Director

**Sydney**

Dated this 30<sup>th</sup> day of September 2019

# Corporate Governance Statement

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**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 Operations 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, and two independent Directors.

The members of the Board of Directors appear on page 1 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
- 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.

# Corporate Governance Statement

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## 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 C. Iles (Chairman)
- Mr T. Cuthbertson

The profiles of these Directors are included on page 1 of the Directors' Report. The Directors of this Committee are independent Directors.

The external auditors, Company Secretary/Chief Financial Officer, 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;
- 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.

# Corporate Governance Statement

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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 Company Secretary/Chief Financial Officer has declared in writing to the Board that Austpac Resources N.L. Financial Report for the year ended 30 June 2019 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.

# Corporate Governance Statement

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## **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 Company Secretary/Chief Financial Officer has 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 and effectively.

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.

# Corporate Governance Statement

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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 C. Iles (Chairman)
- Mr T. Cuthbertson
- Mr G. Hiller

The profiles of these Directors are included on page 1 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;
- remuneration recommendations relating to the Chairman, Non-Executive Directors, the Managing Director and senior Management, including incentive policies for 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
- 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 Governance Statement

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- 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.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

AUSTPAC RESOURCES N.L. AND ITS CONTROLLED ENTITIES

	NOTE	CONSOLIDATED	
		2019 \$	2018 \$
Administrative expenses		(733,791)	(1,834,914)
<b>Results from operating activities</b>		<b>(733,791)</b>	<b>(1,834,914)</b>
Financial income		-	2,056
Financial expenses		(19,455)	(298,938)
<b>Net financing income / (expense)</b>	2	<b>(19,455)</b>	<b>(296,882)</b>
Impairment	12	(359,964)	(24,803,658)
<b>(Loss) attributable to owners of company before tax</b>		<b>(1,113,210)</b>	<b>(26,935,454)</b>
Income tax benefit	5	259,598	-
<b>(Loss)/Profit attributable to owners of company after tax</b>		<b>(853,612)</b>	<b>(26,935,454)</b>
<b>Other comprehensive income for the period, net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period attributable to owners of company</b>		<b>(853,612)</b>	<b>(26,935,454)</b>
Basic (Loss)/ earnings per share (cents)	7	Cents (0.04)	Cents (1.68)
Diluted (Loss)/ earnings per share (cents)	7	(0.04)	(1.68)

*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 20 to 40.*

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

AUSTPAC RESOURCES N.L. AND ITS CONTROLLED ENTITIES

	<b>CONSOLIDATED</b>		
	Share Capital	Accumulated Losses	Total Equity
	\$	\$	\$
Balance at 1 July 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 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
Balance at 1 July 2018	87,743,077	(86,697,269)	1,045,808
Profit/ (loss) attributable to owners of company	-	(853,612)	(853,612)
Other comprehensive income for period attributable to owners of company	-	-	-
Shares issued (net of underwriting costs)	1,622,413	-	1,622,413
Balance at 30 June 2019	89,365,490	(87,550,881)	1,814,609

*The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements as set out on pages 20 to 40.*

# Consolidated Statement of Financial Position

as at 30 June 2019

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

	NOTE	CONSOLIDATED	
		2019	2018
		\$	\$
<b>Assets</b>			
Cash and cash equivalents	8	472,097	29,155
Other receivables	9	319,750	460,997
<b>Total Current Assets</b>		<u>791,847</u>	<u>490,152</u>
Property, plant and equipment	11	91,552	125,823
Intangible assets	12	2,000,000	2,000,000
<b>Total Non-Current Assets</b>		<u>2,091,552</u>	<u>2,125,823</u>
<b>Total Assets</b>		<u>2,883,399</u>	<u>2,615,975</u>
<b>Liabilities</b>			
Trade and other payables	13	379,733	542,395
Interest Bearing Liabilities	14	217,044	204,356
Employee benefits	15	444,494	763,203
<b>Total Current liabilities</b>		<u>1,041,271</u>	<u>1,509,954</u>
Interest Bearing Liabilities	14	27,519	60,213
<b>Total Non-Current Liabilities</b>		<u>27,519</u>	<u>60,213</u>
<b>Total Liabilities</b>		<u>1,068,790</u>	<u>1,570,167</u>
<b>Net Assets</b>		<u>1,814,609</u>	<u>1,045,808</u>
<b>Equity</b>			
Issued capital	16	89,365,490	87,743,077
Accumulated losses		(87,550,881)	(86,697,269)
<b>Total equity</b>		<u>1,814,609</u>	<u>1,045,808</u>

The Consolidated Statement of Financial Position are to be read in conjunction with the Notes to the Financial Statements set out on pages 20 to 40.

# Consolidated Statement of Cash Flows

for the year ended 30 June 2019

AUSTPAC RESOURCES N.L. AND ITS CONTROLLED ENTITIES

	NOTE	CONSOLIDATED	
		2019	2018
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Cash paid to suppliers and employees		(733,151)	(1,322,554)
Interest received		-	2,056
Interest paid		(19,455)	(11,053)
Tax refund received		-	430,325
Net cash used in operating activities	21	(752,606)	(901,226)
<b>Cash Flows from Investing Activities</b>			
Payments for intangible assets:			
Mineral Technology Development		(359,964)	(303,658)
Proceeds from sale of property, plant & equipment		-	-
Net cash used in investing activities		(359,964)	(303,658)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of share capital		1,622,413	213,500
Proceeds from converting notes		-	593,000
Payment of finance lease liabilities		(66,901)	(66,901)
Net cash from financing activities		1,555,512	739,599
Net increase/(decrease) in cash held		442,942	(465,285)
Cash and cash equivalents at 1 July	8	29,155	494,440
Cash and cash equivalents at 30 June	8	472,097	29,155

*Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 20 to 40.*

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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## **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 2019 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 5, 37 Pitt Street, Sydney NSW 2000.

The financial report was authorised for issue by the directors on 30 September 2019.

#### **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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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## Significant Accounting Policies (continued)

### (C) GOING CONCERN

The consolidated entity has a net current asset deficiency of \$249,424 at 30 June 2019 (2018 net current asset deficiency: \$1,019,802).

The 30 June 2019 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.

Notwithstanding 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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## Significant Accounting Policies (continued)

### (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 otherwise 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.



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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## Significant Accounting Policies (continued)

### (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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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## Significant Accounting Policies (continued)

### (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 (2018: \$2,000,000). 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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## Significant Accounting Policies (continued)

### *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 2019 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 16 Leases (AASB 16)**

AASB 16 was issued in January 2016 and it replaces AASB 117 Leases and will almost result in all leases being recognised in the statement of financial position as a "right of use" (ROU) asset with a corresponding lease liability to reflect future lease payments. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the ROU asset and an interest expense on the recognised lease liability. There are two exemptions to this standard for lessees – lease of low value assets and short-term leases.

The accounting for lessors will not significantly change with this standard and will continue to carry forward the requirements of AASB 117.

AASB 16 is applicable for annual reporting periods beginning on or after 1 January 2019. The Group will adopt the standard from 1 July 2019 and will apply the standard using a modified retrospective approach whereby the ROU asset will equal to the lease liability and no restatement of comparative information.

The Group has a number of long term property leases for office buildings which will have a material impact when recognised in the statement of financial position. Based on the preliminary assessment performed by the Group during the year, it is estimated that lease assets and financial liabilities on the balance sheet will both increase by approximately \$300,000 (subject to change once the Group finalises the assessment).

Notes to the consolidated financial statements

Due to the adoption of AASB 16, the Group's operating loss will improve while its interest expenses will increase:

- The equity reported in next financial year will reduce because the carrying amount of the lease assets will reduce more quickly than the carrying amount of the lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the interest in the lease payments will be presented as part of finance costs rather than operating expenses.
- Operating cash outflows will be higher as financing cashflows will be higher as the principal repayments on the lease liabilities will now be included in financing activities rather than operating activities. Interest repayments will also be included in financial activities.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

CONSOLIDATED	
2019	2018
\$	\$

## Note 2: Net Financing Costs

Interest income	-	2,056
Interest expense	(19,455)	(11,053)
Converting note finance expense	-	(287,885)
		<hr/>
Net financing (expense)/income	(19,455)	(296,882)

## Note 3: Auditor's Remuneration

<b>Audit Services</b> –MNSA Pty Ltd (2018 KPMG Australia)		
–Audit and review of financial reports	45,000	93,300
	<hr/>	<hr/>
	45,000	93,300

## Note 4: Personnel Expenses

Wages, salaries and leave entitlements taken	41,592	355,665
Contributions to defined contribution superannuation funds	5,675	64,889
Increase / (decrease) in liability for employee benefits	34,199	12,307
	<hr/>	<hr/>
	81,466	432,861

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## Note 5 Income Tax Expense

	CONSOLIDATED	
	2019	2018
	\$	\$
Recognised in the statement of comprehensive income		
Current tax (benefit)/expense		
Current period income tax (benefit)/expense	(108,936)	(7,865,636)
R&D Refund	259,598	-
<b>Deferred tax expense</b>		
Current year deferred tax assets not recognised	108,936	7,865,636
	<hr/>	<hr/>
Income tax benefit in statement of comprehensive income	259,598	-
	<hr/>	<hr/>
<b>Numerical reconciliation between tax benefit and pre-tax net profit / loss</b>		
(Loss) before tax	(1,113,210)	(26,935,454)
Prima facie income tax benefit / (expense)	333,936	8,080,636
Non-deductible expenses	(225,000)	(215,000)
R&D Refund	259,598	-
Current year deferred tax assets not recognised	(108,936)	(7,865,636)
<b>Income tax benefit on pre-tax net profit / (loss)</b>	<u>259,598</u>	<u>-</u>

## Note 6 Deferred Tax Assets and Liabilities

### Deferred tax assets and (liabilities) are attributable to the following:

Mineral technology development	7,549,087	7,441,097
Employee benefits	133,348	228,961
Unused tax losses	(7,682,435)	(7,670,058)
Net tax (asset)/liability	<hr/>	<hr/>
	-	-

### Deferred tax assets not recognised

Deferred tax assets not recognised because it is not probable that the benefits will be utilised against future taxable profits or future capital gains comprise:

Unused tax losses	<u>14,086,759</u>	<u>13,977,823</u>
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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 \$14,086,759 of unused tax losses not recognised is \$2,090,291 of unused capital losses.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## Note 7 Earnings Per Share

The calculation of basic and diluted earnings per share at 30 June 2019 was based on the loss attributable to ordinary shareholders of \$853,612 loss (2018: \$26,935,454 loss) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2019 of 2,130,583,721 (2018: 1,602,073,900), calculated as follows:

	<b>CONSOLIDATED</b>	
	2019	2018
<b>Weighted average number of shares</b>		
Issued ordinary shares at 1 July	1,891,542,625	1,528,660,976
Effect of shares issued	239,041,096	73,412,924
Weighted average number of ordinary shares at 30 June	2,130,583,721	1,602,073,900
<b>Earnings per share</b>	<b>2019</b>	<b>2018</b>
	<b>cents</b>	<b>cents</b>
Basic (loss)/earnings per share (cents)	(0.04)	(1.68)
Diluted (loss)/earnings per share (cents)	(0.04)	(1.68)

<b>CONSOLIDATED</b>	
2019	2018
\$	\$

## Note 8: Cash and Cash Equivalents

Bank balances	472,097	29,155
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## Note 9: Other Receivables

<b>Current</b>		
Share capital receivable	319,750	375,500
Cash held on deposit	-	69,403
Other receivables	-	16,094
R&D receivable	-	-
	<u>319,750</u>	<u>460,997</u>

## Note 10: Consolidated Entities

### PARTICULARS IN RELATION TO THE COMPANY AND ITS CONTROLLED ENTITIES

		<b>HOLDING</b>	
		2019	2018
<b>Parent Entity:</b>	Austpac Resources N.L.		
<b>Significant Subsidiaries:</b>	Almeth Pty Ltd	100%	100%
	Austpac Technology Pty Ltd	100%	100%

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## Note 11: Property, Plant and Equipment

	<b>CONSOLIDATED</b>		
	<b>Plant and equipment \$</b>	<b>Fixtures and fittings \$</b>	<b>Total \$</b>
<b>Cost</b>			
Balance at 1 July 2017	1,467,165	61,926	1,529,091
Acquisitions			
Disposals			
Write down	(1,254,828)	(61,926)	(1,316,754)
Balance at 30 June 2018	212,337	-	212,337
Balance at 1 July 2018	212,337	-	212,337
Acquisitions	-	-	-
Disposals	-	-	-
Write down	-	-	-
Balance at 30 June 2019	212,337	-	212,337
<b>Depreciation and impairment losses</b>			
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
Balance at 1 July 2018	86,514	-	86,514
Depreciation for the year	34,271	-	34,271
Reversal of depreciation on write down	-	-	-
Balance at 30 June 2019	120,785	-	120,785
<b>Carrying amounts</b>			
At 30 June 2017	159,301	-	159,301
At 30 June 2018	125,823	-	125,823
At 30 June 2018	125,823	-	125,823
At 30 June 2019	91,552	-	91,552

The consolidated entity leases motor vehicles under finance lease agreements. At 30 June 2019 the net carrying amount of the leased motor vehicles, classified under plant and equipment was \$91,552 (2018: \$125,823). The leased equipment secures lease obligations (note 18).

## Note 12: Intangible Assets

	<b>CONSOLIDATED</b>	
	<b>Mineral Technology Development \$</b>	<b>Total \$</b>
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
Balance at 1 July 2018	2,000,000	2,000,000
Expenditure	359,964	359,964
Impairment	(359,964)	(359,964)
Balance at 30 June 2019	2,000,000	2,000,000

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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## CONSOLIDATED

2019

2018

\$

\$

### Note 13:

#### Trade and Other Payables

Other trade payables and accrued expenses	327,233	478,395
Related party payable - directors fee	52,500	64,000
	<u>379,733</u>	<u>542,395</u>

### 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

Loan from related party - director	200,000	-
Finance lease liabilities	17,044	76,356
Converting note	-	128,000
	<u>217,044</u>	<u>204,356</u>

##### Non-Current Liabilities

Finance lease liabilities	<u>27,519</u>	<u>60,213</u>
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The consolidated entity's lease liabilities are secured by the leased assets of \$91,552 per Note 11, (2018: \$125,823), as in the event of a default, the assets revert to the lessor.

### Note 15:

#### Employee Benefits

##### Current

Liability for long service leave	236,511	252,383
Liability for annual leave	207,983	510,820
	<u>444,494</u>	<u>763,803</u>



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Note 16:</b>		
<b>Contributed Equity</b>		
<b>Issued and paid up Capital</b>		
2,865,375,959 (2018: 1,815,742,625) ordinary shares	88,572,990	86,950,577
75,800,000 (2018: 75,800,000) ordinary shares partly paid	792,500	792,500
	<u>89,365,490</u>	<u>87,743,077</u>
<b>Movements in Ordinary Share Capital</b>		
Balance at the beginning of the financial year	87,743,077	86,503,392
<b>Shares Issued:</b>		
Placement of 30,000,000 ordinary shares to Australian Professional Investors at 1 cent each – January 2018	-	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 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 – June 2018	-	180,000
July 2018 Placement to Bergen (Conversion of Converting Notes) 128,000,000 ordinary shares at 0.1 cents each	128,000	-
January 2019 Placement to Australian Professional Investors 108,500,000 ordinary shares at \$0.002 each (i)	217,000	-
April 2019 Shareholder Share Purchase Plan 426,233,334 ordinary shares at \$0.001 each	426,233	-
April 2019 Placement to YanGang (HK) Co Limited 365,000,000 ordinary shares at \$0.0022 each	803,000	-
May 2019 Placement to Vingo Holdings 21,900,000 ordinary shares at \$0.0022 each	48,180	-
Movement of the year	<u>1,622,413</u>	<u>1,239,685</u>
Balance at the end of the financial year	<u>89,365,490</u>	<u>87,743,077</u>

(i) As at 30 June 2019 \$217,000 remained outstanding in Other Receivable in respect of this share placement. As at 30 September 2019 the amount was still outstanding.

## Terms and Conditions

### Ordinary Shares

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

### Partly Paid Shares

Holders of Austpac Resources N.L. Employee Share Purchase plan shares are entitled to the same rights as ordinary shareholders, including entitlements to dividends if declared, once the shares are paid in full. The amount of unpaid capital is \$3,889,832 (2018: \$4,133,483). 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 and a further 31,010,000 Employee Share Purchase Plan Shares were forfeited on 7 January 2019. 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 2019 or 30 June 2018.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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**Note 17:**  
**Commitments**

### 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.

	<b>CONSOLIDATED</b>	
	2019	2018
	\$	\$
Less than one year	89,500	163,551
Between one and five years	174,000	15,726
	<u>263,500</u>	<u>179,277</u>

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. Application has been made for renewal of EL5291 in August 2019.

### Note 18:

#### Lease Liabilities

	<b>CONSOLIDATED</b>					
	2019			2018		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Within one year	20,777	3,733	17,044	76,356	9,455	66,901
Between one and five years	29,670	2,151	27,519	60,211	6,683	53,528
<b>Total</b>	<b>50,447</b>	<b>5,884</b>	<b>44,563</b>	<b>136,567</b>	<b>16,138</b>	<b>120,429</b>

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

#### Operating Leases

##### Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

	<b>CONSOLIDATED</b>	
	2019	2018
	\$	\$
Less than one year	213,874	230,234
Between one and five years	218,781	223,544
	<u>432,655</u>	<u>453,778</u>

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

During the year ended 30 June 2019, \$301,671 was recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases (2018: \$290,373).

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

### Note 19:

## Key Management Personnel and Related Party 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 C. Iles  
Mr G. Hiller

### Executive directors

Mr M. Turbott (retired 31 January 2019)

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 2019 are:

Directors and key Management Personnel	Year	Short Term				Other long term (ii)	Post Employment Superannuation Contributions	Total
		Directors Fees	Salaries	Consulting Fees	Non-Monetary Benefits			
M.J Turbott	2019	-	-	-	97,605	15,721	-	113,326
	2018	-	53,994	-	138,297	15,721	33,426	241,438
T Cuthbertson	2019	17,500	-	8,750	-	-	-	26,250
	2018	52,500	-	26,250	-	-	-	78,750
C Iles	2019	12,500	-	8,750	-	-	-	21,250
	2018	37,500	-	26,250	-	-	-	63,750
G Hiller	2019	8,333	-	5,833	-	-	-	14,166
	2018	-	-	-	-	-	-	-
R Harrison	2019	-	-	-	-	-	-	-
	2018	16,667	-	11,667	-	-	-	28,334
<b>Total</b>	2019	38,333	-	23,333	90,378	-	-	174,992
	2018	106,667	53,994	64,167	138,297	15,721	33,426	412,272

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.

Non monetary benefits relate to motor vehicles during the financial year and insurance paid. Consultancy fees relate to additional services provided by Messrs Cuthbertson and Iles for professional time in excess of normal Director duties in FY19.

As at 30 June 2019 \$52,500 (\$64,000 at 30 June 2018) is outstanding to Directors for Director fees and consulting fees and included in the remuneration table above.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## **Note 19 (continued)**

Austpac Resources N.L. engaged Mr T. Cuthbertson, Mr C. Iles and Mr G. Hiller 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:

	<b>Transaction</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Specified Directors</b>			
Mr T. Cuthbertson	Consultancy Fees	8,750	26,250
Mr C. Iles	Consultancy Fees	8,750	26,250
Mr G. Hiller	Consultancy Fees	5,833	-

## **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:

Specified Directors	2019				2018			
	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	15,000,000	-	15,166,667	166,667	-	-	166,667
- Partly Paid Ordinary Shares	9,500,000	-	4,500,000	5,000,000	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 Paid Ordinary Shares	12,712,926	-	5,000,000	7,712,926	12,712,926	-	-	12,712,926

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 2019.

### **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.

### **Loan to Company**

A loan of \$200,000 was made to the Company by a director, Terry Cuthbertson. The loan is unsecured and is payable in cash or converted to shares. The loan is a current liability.

### **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 \$142,560 during the financial year ended 30 June 2019 (\$109,200 -2018). As at 30 June 2019 \$319,750 payable to the Company in relation to share capital issued (\$475,500 - 2018).

### **Wholly owned group**

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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

Since the end of the financial year ending 30 June 2019, there have been no subsequent events which affect the financial position of the company other than the technology revenue transaction with Lido Holdings Limited for information in an internal conceptual scoping study undertaken by Austpac in 2006. Lido paid \$1.5 million for this synthetic rutile technology package. The transaction does not represent a sale of any of Austpac technologies or the transfer of ownership of any Intellectual Property to Lido.

<b>CONSOLIDATED</b>	
2019	2018
\$	\$

## Note 21: Reconciliation of Cash Flows from Operating Activities

(Loss) for the year	(853,612)	(26,935,454)
Adjustments for:		
Depreciation	34,271	33,478
Loss on disposal of PPE	-	-
Impairment Expense	359,964	24,803,658
Finance expense on converting notes	-	287,885
Operating (loss) before changes in working capital and provisions	(459,377)	(1,810,433)
Decrease/(increase) in receivables	141,247	230,326
Increase/(decrease) in payables / provisions	(434,476)	678,881
Net cash used in operating activities	(752,606)	(901,226)

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## Note 22:

### Fair Value of Financial Assets and Liabilities

#### Fair values versus carrying amounts

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:

Consolidated	Carrying amount 2019	Fair value 2019	Fair Value Hierarchy Level	Carrying amount 2018	Fair value 2018	Fair Value Hierarchy Level
	\$	\$		\$	\$	
Trade and other receivables	319,750	319,750	2	460,997	460,997	2
Cash and cash equivalents	472,097	472,097	1	29,155	29,155	1
Finance lease liabilities	44,563	44,563	2	136,569	136,569	2
Trade and other payables	379,733	379,733	2	542,395	542,395	2
Converting notes	-	-	2	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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## 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:

	Note	Consolidated Carrying Amount	
		2019	2018
Receivables	9	319,750	460,997
Cash and cash equivalents	8	472,097	29,155

#### *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.



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## Note 23 (continued)

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

<b>Consolidated 30 June 2019</b>						
	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>6 mths or less</b>	<b>6-12 mths</b>	<b>1-2 years</b>	<b>2-5 years</b>
Finance lease liabilities	50,447	50,447	10,388	10,388	29,671	-
Trade and other payables	209,983	209,983	209,983	-	-	-

<b>Consolidated 30 June 2018</b>						
	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>6 mths or less</b>	<b>6-12 mths</b>	<b>1-2 years</b>	<b>2-5 years</b>
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	-	-	-

### **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 term deposits 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:

	<b>Consolidated Carrying Amount</b>	
	<b>2019</b>	<b>2018</b>
<b>Fixed rate instruments</b>		
Financial assets (surplus cash invested)	472,097	29,155
Financial liabilities (plant and equipment leases)	50,447	136,569

#### *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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 20189

## **Note 23 (continued)**

### **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 2019.

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 2019 the parent entity of the Group was Austpac Resources N.L.

	2019	2018
<b>Result of parent entity</b>		
(Loss) / Profit for the period	(853,612)	(26,935,454)
Other comprehensive income	-	-
Total comprehensive (loss) / profit for the period	(853,612)	(26,935,454)
<b>Financial position of parent entity at year end</b>		
Current assets	791,847	490,152
Total assets	2,883,399	2,615,975
Current liabilities	1,041,271	1,509,954
Total liabilities	1,068,790	1,570,167
<b>Total equity of the parent entity comprising:</b>		
Share capital	89,365,490	87,743,077
Accumulated Losses	(87,550,881)	(86,697,269)
<b>Total equity</b>	<b>1,814,609</b>	<b>1,045,808</b>

### **Subsequent Events**

Since the end of the financial year ending 30 June 2019, there have been no subsequent events which affect the financial position of the company other than the technology revenue transaction with Lido Holdings Limited for information in an internal conceptual scoping study undertaken by Austpac in 2006. Lido paid \$1.5 million for this synthetic rutile technology package. The transaction does not represent a sale of any of Austpac technologies or the transfer of ownership of any Intellectual Property to Lido.

# Director's Declaration

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1. In the opinion of the Directors of Austpac Resources N.L:
  - a) the consolidated financial statements and notes set out on pages 16-40 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 2019 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 2019.

**Signed in accordance with a resolution of the Directors.**



**T. Cuthbertson**  
Director



**C. Iles**  
Director

**Sydney, 30 September 2019**



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTPAC RESOURCES N.L

### Report on the Audit of the Financial Report

#### Qualified Opinion

We have audited the accompanying financial report of Austpac Resources N.L (the Company) and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report presents fairly, in all material respects the financial position of the Group as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

#### Basis for Qualified Opinion

##### *Opening Balances*

We were appointed auditors of the Group during the 2019 financial year and were not able to obtain sufficient appropriate audit evidence to satisfy ourselves on the accuracy and reliability of opening balances to the period and were unable to satisfy ourselves by alternative means. Since opening balances enter into the determination of the financial performance and cash flows, we are unable to determine whether adjustments might have been necessary in respect to the profit or loss reported for the year and the net cash flows from operating activities reported in the statement of cash flows.

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter Related to Going Concern**

Without qualifying our opinion, we draw your attention to Note 1(C) in the financial report which indicates that the consolidated entity has experienced operating losses and negative operating cash flows during the year ended 30 June 2019, and of that date, the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the consolidated entity's ability to successfully achieve positive cash flows from successful commercialisation or sale of mineral technologies. These conditions, along with other matters as set forth in Note 1(C), indicate the existence of a material uncertainty that may cast doubt about the consolidated entity's ability to continue as a going concern and, therefore the consolidated entity may be unable to realise assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.



## 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.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
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### *Intangible Asset (\$2,000,000)*

Refer to Note 12 "Intangible Assets" to the financial report.

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

- the significance of the development activity to the Group's business and the significant intangible asset balance (being 74% of total assets); and
- the greater level of audit effort to evaluate the Group's application of the requirements of the accounting standard ASB 138 Intangible Assets, in particular the development phase conditions allowing capitalisation of relevant expenditure and 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 evaluate the Groups assessment.

Impairment indicators in respect of the intangible asset include that the Group has not secured the remaining capital required to complete the intangible asset and that no licences have yet been sold to third parties. We focused on the significant project and finalisation forecast assumptions that the Group applied in their fair value less costs of disposal model, investments in the company during the year to complete the proof of concept plant in Newcastle to test for further impairment.

- the accuracy and completeness of costs of sales is recognised on sales, where the costs of suppliers and service providers are not charged to the business on a regular basis or are delayed.

In responding to this area of focus, our audit 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 standard;
- we assessed the integrity of the fair value less costs for disposal model used, including the accuracy of the underlying calculation formulas;
- we considered sensitivity of forecasting cash flows, timing of intangible asset completion;
- we discussed with management the interest of third parties in acquiring, licencing or financing the completion of the technology;
- we assessed the disclosures in the financial report using our understanding of the issues obtained from our audit work and against requirements of the accounting standard.

Based on our audit work, we did not identify any significant change in the prior year fair value assessment and carry forward value of the technology in the financial report.




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**Key Audit Matter**
**How Our Audit Addressed the Key Audit Matter**


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**Going Concern**

Following operating losses and cash flow deficits, there is a heightened degree of judgement as to the group's ability to continue as a going concern through the assessment period. Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management's disclosure to be a key risk.

We have challenged the key assumptions in management's forecast cash flows for the next 12 months (base case and downside possibilities) by:

- comparing the cash flow forecasts with the Board approved budget, and obtaining explanations for any significant differences;
- ensuring consistency between the forecasts in the group going concern model and those used in the asset value-in-use calculations for impairment assessment purposes;
- assessing the historical accuracy of forecasts prepared by management;
- testing the mechanical accuracy of the model used;
- performing stress tests for a range of reasonably possible scenarios on management's cash flow for the going concern period;
- challenging management's plans for mitigating any identified exposures, obtain additional sources of Financing; and
- considering whether the disclosures relating to going concern referred to in the basis of preparation section of the accounting policies are balanced, proportionate and clear.

Our concerns and reference to managements responses and proposed actions in regard to Going Concern are included above under Emphasis of Matter Related to Going Concern.

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## Other Information

The directors of Austpac Resources N.L are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 objectives are 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 and 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](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.





## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 7 to 8 of the directors' report for the year ended 30 June 2019.

In our opinion the remuneration report of Austpac Resources N.L for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of Austpac Resources N.L are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA Pty Ltd

**Name of Firm:** MNSA Pty Ltd  
Chartered Accountants

**Name of Auditor:**

Mark Schiliro

**Address:** Level 1, 283 George Street, Sydney NSW 2000

**Dated this** 30<sup>th</sup> day of September 2019

## Additional Stock Exchange Information

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### 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 2019.

### Shareholdings

#### SUBSTANTIAL SHAREHOLDERS

The number of shares held by the substantial shareholders listed in the holding company's register as at 10 September 2019 was: NIL.

#### CLASS OF SHARES AND VOTING RIGHTS

At 10 September 2019 there were 3,877 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 5, 37 Pitt Street, Sydney NSW 2000 Telephone: (02) 9252 2599
Location of Registers of Securities:	Link Market Services Limited Securities 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.

# Additional Stock Exchange Information

## Distribution of Shareholders as at 10 September 2019

	Number of Ordinary Shareholders
1-1,000	184
1,001-5000	554
5,001-10,000	466
10,001-100,000	1,497
100,001 and over	1,176
	<b>3,877</b>
Holder of less than a marketable parcel	3,239

The 20 largest shareholders hold 37.79% of the ordinary shares of the holding company.

## 20 Largest Shareholders as at 10 September 2019

	No. of Ordinary Shares Held	Percentage (%) Held To Issued Capital
Yangang (Hong Kong) Co Limited	365,000,000	11.27
Mr John McGregor Skinner	117,510,200	3.63
Prestcorp Pty Limited	85,634,910	2.64
Kronos International Inc.	76,470,588	2.36
Mr Richard Loudon Delaney & Mr Ian Arthur Cains	61,441,196	1.90
Mr Stephen Joseph Harris	52,500,000	1.62
Mr William John Gaymans & Mrs Zelda Elizabeth Gaymans	51,717,968	1.60
Mr Tugcan Rauf Sackesen	50,000,000	1.54
FGDG Super Pty Ltd	44,000,000	1.36
Mr Manfred Karl Heinz Raabe	40,000,000	1.23
Ms Rosemarie Cremona	34,018,707	1.05
Orient Zirronic Resources (Australia) Pty Ltd	33,000,000	1.02
Mr C. Leech	32,367,054	1.00
Mr Richard Loudon Delaney	30,415,029	0.94
Mr Rik Deaton	28,480,000	0.88
Mr Peter Kevin King	26,370,584	0.81
Mr Robert Charles Claxton	26,137,885	0.81
Strickland Finance Co Pty Ltd	24,100,000	0.74
Mr C. Leech	23,140,068	0.71
Milleast Investments Pty Ltd	22,000,000	0.68
	1,224,304,189	

## MEMBERS OF THE BOARD

Mr Terry Cuthbertson *ACA*

*Chairman*

Mr Michael J. Turbott *BSc (Hons), FAusIMM, FAIG* (Retired 3 January 2019)

*Managing Director*

Mr Colin Iles

*Director*

Mr Geoff Hiller *BEng - Mining (Hons), BEng - Civil (Hons), MBA*

*Director*

## SECRETARIES

*Company Secretary*

Mr Nicholas J. Gaston *ACIS*

## GENERAL MANAGERS

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

*General Manager, Technology Development*

Mr Michael J. Smith *BSc, MSc, RPGeo, FAIG, MGSA, MASEG*

*General Manager Exploration*

## AUDITOR

MNSA

Level 1

283 George Street

Sydney NSW 2000

## SOLICITORS

Toomey Pegg

50 Carrington 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)