AUSTPAC RESOURCES N.L.

AND CONTROLLED ENTITIES

ABN 87 002 264 057

ANNUAL REPORT 2020

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 and the auditor's report thereon.

DIRECTORS

The names and positions of the directors of the consolidated entity during the financial year and up to the date of this report, unless otherwise stated, are:

Terry Cuthbertson
Non-executive Chairman

Mr Cuthbertson qualified as Chartered Accountant and holds a Bachelor of Business Degree with extensive corporate finance expertise, having advised several businesses and government organisations in relation to mergers, acquisitions and financing. He was formerly a Partner of KPMG Corporate Finance and NSW Partner in Charge of Mergers and Acquisitions, where he coordinated government privatisations, mergers, divestitures and public offerings on the ASX for the New South Wales practice. He is the Non-executive Chairman of ASX listed MNF Group Limited and Malachite Resources Limited. He was previously the Chairman of ASX listed Lark Distilling Co. Ltd (resigned 20 May 2019) and a non-executive director of Isentric Limited (resigned 31 May 2019).

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
Director and CEO

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

Mr Iles was appointed a Director of Austpac Resources N.L. on 13 March 2017 and CEO of Austpac Resources N.L. on 14 July 2020.

Geoff Hiller
Non-executive Director

Mr Hiller is a mining/civil engineer with over 25 years of mining industry experience including feasibility, financing, development and construction of projects. 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 New South Wales). Mr Hiller is currently the Chief Executive Officer and director of ASX listed Malachite Resources Limited.

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

COMPANY SECRETARY

Mr Gaston is a Chartered Secretary with 47 years listed public company experience including Lend Lease Corporation, Peko Wallsend Limited and American Metals Climax (AMAX). Mr Gaston resigned as the company secretary and CFO on 3 July 2020.

The Company has appointed Mr Kenneth Lee as the company secretary on 3 July 2020. Kenneth is a member of the Institute of Chartered Accountants (England & Wales) and has a Master degree in Business Administration. He was a Director of KPMG Corporate Finance, Sydney.

DIRECTORS' REPORT (CONTINUED)

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	-	19,166,667
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 of Directors		Audit Committee		Remuneration Committee	
	Eligible to Attend	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Terry Cuthbertson	**12**	**12**	**2**	**2**	**-**	**-**
Colin Iles	**12**	**11**	**2**	**2**	**-**	**-**
Geoff Hiller	**12**	**12**	**-**	**-**	**-**	**-**

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.

OPERATING RESULTS

The loss of the Group for the financial year after providing for income tax amounted to $231,493 (2019: $853,612).

REVIEW OF OPERATIONS

In December 2019 Austpac Resources NL received a Research and Development tax concession refund for $119,779 for 2019.

In September 2019 the Company announced that a synthetic rutile technology package developed by the Company in 2006, had been sold to Lido Holdings Limited (British Virgin Islands) for $1.5 million. Lido is a wholly-owned subsidiary of Yanshan. The technology package comprised information contained in an internal conceptual study undertaken by Austpac in 2006 into an ERMS synrutile rutile plant in Australia (the Study). The Chinese companies have the right to use the information for their own purposes in China. It is not a license and does not represent the sale or transfer the ownership of any of Austpac's Intellectual Property.

In June 2020, the Company scaled down Newcastle site operations and implemented personnel changes at its Sydney office. The Company is currently reviewing its assets and investigating complementary opportunities in the mining sector.

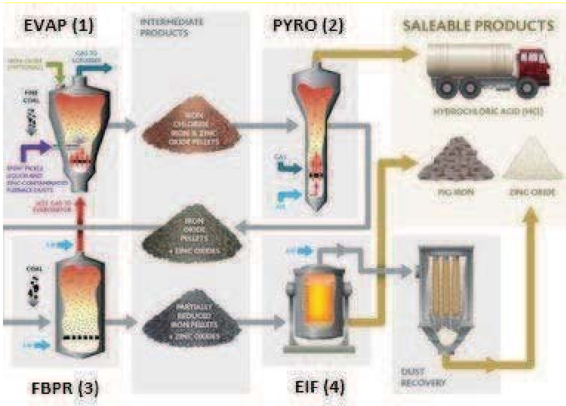
The Company has also negotiated with its core technical employees to revise their terms of employment from being an employee to being consultants where they would be engaged on a need's basis.

In the interim, the directors have agreed to reduce their fees to $1,000 per month, effective from 1 January 2020 until the Company's financial position improves.

DIRECTORS' REPORT (CONTINUED)

Austpac's ZIRP proof of concept testwork program completed during the year
The planned Proof of Concept (PoC) testwork program was completed on the 8th of November 2019. The objective of this program was to process zinc-contaminated steel furnace dust (BOF filter cake) and Spent Pickle Liquor (SPL) through the first three stages of Austpac's Zinc & Iron Recovery Process (ZIRP) and produce a reduced iron oxide-zinc oxide material for melting tests in an induction furnace, which is the last process stage.

The program commenced with the Evaporation stage (EVAP) to convert filtercake and the SPL to solid iron oxide-iron chloride pellets. The EVAP pellets were campaigned through a dual-purpose fluid bed roaster operating in Pyrohydrolysis (PYRO) mode to produce solid iron oxide-zinc oxide pellets. These pellets were then processed through the roaster operating with excess fuel to partially reduce the iron in the PYRO pellets so they are suitable for feeding to an induction furnace.



To ensure the melt tests are undertaken to industry standards, the Company signed a Technical Services Agreement with the CSIRO's Mineral Resources High Temperature Chemistry Division at Clayton Victoria. Samples were sent to CSIRO in December 2019. CSIRO has completed the melt test and the POC work proved the process technically as high grade of Zinc Oxide and a pig iron was recovered during the CSIRO test work. Additional work is required to develop the process to a commercial level.

Three steel companies visited the Newcastle plant during the test program, and one of these took samples of the raw materials and of the products from each process stage. This group is conducting detailed chemical and physical analyses of the samples they obtained, and they undertook to provide the results to Austpac and to assist our assessment.

In April 2019, Tangshan Yanshan Iron and Steel Company of China became a significant shareholder of Austpac through a share placement which provided $805,000 for the Company's testwork program designed to demonstrate the first three stages of the ZIRP process.

DIRECTORS' REPORT (CONTINUED)

EL 5291 NHILL

In 2019, Austpac undertook a drilling program to follow up the mineralisation encountered in 2017. The new hole 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 drill hole encountered unexpectedly difficult ground conditions deep in the overlying sediments, possible exacerbated by the angle of the hole. It was not possible to extend the drill casing beyond 188m, and while the drill rods reached the gravel directly above the basement at 270m, there was a high risk that the entire drill string could be lost as a result of soft sediment squeezing the uncased rods. Drilling operations were therefore stopped immediately, and it was planned to re-drill at Nhill using different equipment once the winter crops had been harvested and during dry weather conditions.

The discovery of VHMS massive sulphide mineralisation in GG-01 at the unexplored north-western end of the Stavely Arc, a buried ancient volcanic island arc, is highly encouraging. The two targets delineated by geophysics within EL 5291 are as yet untested. The mineralisation in GG-01 is interpreted as being the distal end of one of the targets. The opportunity for discovery of hitherto unknown VHMS deposits at Nhill far outweighs the challenge of drilling through the sediments.

Plans for the 2020-22 program at Nhill are now being finalised. It was decided to refine the two targets with closer-spaced ground magnetic and gravity surveys. A geophysical contractor who undertook the previous gravity-magnetic surveys at Nhill has commenced this work and modelling and interpretation of the results should be completed in February. Discussions are underway to select a drilling contractor with the suitable equipment and experience to ensure the targets are adequately tested.

The EL 5291 Nhill concession was renewed for three years in August 2020.

Due to the COVID 19 restriction on Victoria, the Nhill exploration program will be resumed once the COVID-19 restrictions are reduced or lifted and farming have been completed. A new drilling program is to be developed and to examine the resource at Nhill.

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

Future Potential of Technologies to be further developed
Synthetic rutile technology which has been developed by Austpac since the 1980s has application potential for the titanium pigment industry and the titanium sponge industry.

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

Financial Position – Financial Performance
Austpac Resources N.L. reported a loss after tax for the year ending 30 June 2020 of $231,493 (2019: $853,612). The consolidated entity has a net current asset deficiency of $354,467 at 30 June 2020 (2019: net current asset surplus $45,576).

As at 30 June 2020 Austpac Resources N.L. carries no structured or secured debt and all technology assets are unsecured.

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

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

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

DIVIDENDS
No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2020 (2019: Nil).

DIRECTORS' REPORT (CONTINUED)

IMPACT OF COVID 19

The Company has considered the impact of COVID-19 on its activities. The inability of management and consultants to visit Nhill site in Victoria has impacted on some of the Company's activities.

Given the restrictions on travel inter-states and mindful of the spread of the virus within the local communities, the Company will consider field activities where prudent.

SIGNIFICANT CHANGES IN 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

An ex-employee has served the Company a letter of demand for redundancy and other payments. The Company disputes the claims, and the Directors are of the view that there are no reasonable grounds for the ex-employee for such a claim.

The Company is continuing to investigate expenses and reimbursements claims by former executives with a view to recovering monies from those claims.

On 14th July 2020, the Company appointed Mr. C Iles as CEO of Austpac Resources N.L.

On 15th September 2020, the Company received a Research and Development tax concession refund for $405,693 for 2020.

The Directors are not aware of any other material subsequent events which affect the financial position of the company after 30 June 2020.

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 REGULATIONS

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.

SHARE 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 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)

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

REMUNERATION REPORT (AUDITED)

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Remuneration is set by the Board of Directors. Currently, the company does not have full-time employees.

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.

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.

Structure

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

Variable Remuneration

There is no variable performance related remuneration.

Employment contracts

Currently no employee is employed under contract.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Details of the nature and amount of each major element of the emoluments of each director and key personnel of the company for the year ending 30 June 2020 are:

	Year	Directors Fees	Short Term Salaries	Short Term Consulting Fees	Non-Monetary Benefits	Other Long Term (i)	Post Employment Super-annuation Contributions	Total
		$	$	$	$	$	$	$
Directors								
Mr T. Cuthbertson	**2020**	**41,000**	**-**	**17,500**	**-**	**-**	**-**	**58,500**
	2019	17,500	-	8,750	-	-	-	26,250
Mr C. Iles	**2020**	**31,000**	**-**	**39,675**	**-**	**-**	**-**	**70,675**
	2019	12,500	-	8,750	-	-	-	21,250
Mr G. Hiller	**2020**	**31,000**	**-**	**21,550**	**-**	**-**	**-**	**52,550**
	2019	8,333	-	5,833	-	-	-	14,166
Total	**2020**	**103,000**	**-**	**78,725**	**-**	**-**	**-**	**181,725**
	2019	38,333	-	23,333	-	-	-	61,666
Key Management Personnel								
Mr M.J. Turbott (ii)	**2020**	**-**	**180,000**	**-**	**10,658**	**15,721**	**18,000**	**224,379**
	2019	-	-	-	97,605	15,721	-	113,326
Mr Nick Gaston	**2020**	**-**	**-**	**434,450**	**13,478**	**-**	**-**	**447,928**
	2019	-	-	190,960	4,652	-	-	195,612
Total	**2020**	**-**	**180,000**	**434,450**	**24,136**	**15,721**	**18,000**	**672,307**
	2019	-	-	190,960	102,257	15,721	-	308,938

(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.
(ii) Director part year 2019.

In the interim, the directors have agreed to reduce their fees to $1,000 per month for each director, effective from 1 January 2020 until the Company's financial position improves.

Key management personnel receive additional benefits as non-cash benefits, as part of the terms and conditions of their employment relating to motor vehicle leases.

Consultancy fees relate to additional services provided by Messrs Cuthbertson, Hiller and Iles for professional time in excess of normal Director duties.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Remuneration levels reflect a cost containment programme implemented in March 2019.

As at 30 June 2020 $18,000 ($52,500 at 30 June 2019) is outstanding to Directors for 2020 for Directors fees and $1,350 for consulting fees and are 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 $181,200 during the financial year ended 30 June 2020 (2019: $48,400). Notsag Pty Limited received $253,250 for capital raising services in the financial year ending 30 June 2020 (2019: $142,560).

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 2020.

Signed at Sydney this second day of November 2020 in accordance with a resolution of the Board of Directors of Austpac Resources N.L.:

T. Cuthbertson	C. Iles
Chairman	Director

MNSA

**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 2020 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 2nd day of November 2020

MNSA Pty Ltd
ABN 59 133 605 400

Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001

Tel (02) 9299 0901
Fax (02) 9299 8104
Email admin@mnsa.com.au

CORPORATE GOVERNANCE STATEMENT

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

BOARD OF DIRECTORS

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

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

Board Process

The Board usually holds 12 scheduled meetings every year plus any additional meetings as required. The agenda for Board meetings is prepared by the Company Secretary in conjunction with the Chairman and CEO. 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.

Composition of the Board

At the date of this report, the Board of Directors comprises a non-executive independent chairman, one independent and one executive director.

The members of the Board of Directors appear on page 2 of the Annual 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

BOARD COMMITTEES

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

- Audit Committee;
- Remuneration Committee.

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

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

Audit Committee

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

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

The members of the Audit Committee during the year were:

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

The profiles of these Directors are included on page 2 of the Annual Report. Mr C. Iles is a non-independent Director and Mr. T. Cuthbertson is an independent Director.

The external auditors, Company Secretary/Chief Financial Officer, are invited to Audit Committee meetings. The Committee meets at least twice a year.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.

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 Chief Executive Officer has declared in writing to the Board that Austpac Resources N.L. Financial Report for the year ended 30 June 2020 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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

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

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

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

Risk Management

Oversight of the risk management system

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

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

The Chief Executive 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk management and compliance and control

During the financial year the Board reviewed the Company's internal reporting and risk management practices. As a result of this review, the Board has implemented personnel changes within the organisation, with a greater focus on costs control, treasury and financial reporting processes being instituted from the commencement of financial year 2021.

Assessment of effectiveness

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

Commitment to shareholders and an informed market

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

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

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

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

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

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

Share trading policy

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

Remuneration committee

The Remuneration Committee usually meets once a 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 2 of the Annual Report. The Directors of this Committee are independent Directors, except for Mr C Iles.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 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 2020

	Note	2020 $	2019 $
Technology transaction revenue		1,500,000	-
Other income		87,500	-
Administrative and other expenses		(495,955)	(524,482)
Amortisation of right-of-use lease	12	(203,353)	-
Employee benefits	4	(495,807)	(81,466)
Exploration expenditure – Nhill		(50,727)	(127,843)
Impairment of R&D technology		(596,813)	(359,964)
Impairment of amount receivable from ex-employee		(81,988)	-
Results from operating activities		(337,143)	(1,093,755)
Finance income		1,338	-
Finance expense		(15,467)	(19,455)
Net financing expense	2	(14,129)	(19,455)
Loss attributable to owners of company before tax		**(351,272)**	**(1,113,210)**
Income tax benefit		**119,779**	**259,598**
Loss attributable to owners of company after tax		**(231,493)**	**(853,612)**
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period attributable to owners of company		**(231,493)**	**(853,612)**

		Cents per share	Cents per share
Basic (loss) earnings per share	6	(0.007)	(0.04)
Diluted (loss) earnings per share	6	(0.007)	(0.04)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated Group	Share Capital	Accumulated Losses	Total Equity
	$	$	$
Balance at 1 July 2018	**87,743,077**	**(86,697,269)**	**1,045,808**
Loss attributable to owners of company	-	(853,612)	(853,612)
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**
Adjustment *	**295,000**	**-**	**295,000**
Adjusted balance at 30 June 2019	**89,660,490**	**(87,550,881)**	**2,109,609**
Loss attributable to owners of company	-	(231,493)	(231,493)
Balance at 30 June 2020	**89,660,490**	**(87,782,374)**	**1,878,116**

*** Misstatement of Issued and Paid Up Capital in the Financial Statements 2019**

After extensive investigations, it was discovered that 300,286,997 shares were issued for $0.001 per share prior to 1st July 2019. The recovery of $295,000 has now been agreed between the Company and the holder of those unreported issued shares ("the Holder"); where the Holder has agreed to repay the Company by 30th November 2020. The remaining $5,287 is not recoverable and was written off to cost of issue shares.

It was also discovered that the partly paid shares were overstated by 1,600,000 partly paid shares.

The financial statements of 2019 have been restated to correct this error. The effect of the restatement on those financial statements is summarised below. There is no effect on 2020 operating results.

<u>Effect on restatement</u>:

Increase in issued shares of 300,286,997 shares and equity of $295,000 and increase of amount receivables by $295,000.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Austpac Resources N.L.
ABN 87 002 264 057
and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 $	Restated 2019 $
CURRENT ASSETS			
Cash and cash equivalents	7	166,696	472,097
Trade and other receivables	8	308,146	614,750
TOTAL CURRENT ASSETS		**474,842**	**1,086,847**
NON-CURRENT ASSETS			
Property, plant and equipment	10	65,010	91,552
Intangible assets	11	2,000,000	2,000,000
Right-of-use-assets	12	213,753	-
TOTAL NON-CURRENT ASSETS		**2,278,763**	**2,091,552**
TOTAL ASSETS		**2,753,605**	**3,178,399**
CURRENT LIABILITIES			
Trade and other payables	13	307,231	379,733
Interest Bearing liabilities	14	297,301	217,044
Employee benefits	15	224,777	444,494
TOTAL CURRENT LIABILITIES		**829,309**	**1,041,271**
NON-CURRENT LIABILITIES			
Interest Bearing liabilities	14	46,180	27,519
TOTAL NON-CURRENT LIABILITIES		**46,180**	**27,519**
TOTAL LIABILITIES		**875,489**	**1,068,790**
NET ASSETS		**1,878,116**	**2,109,609**
EQUITY			
Contributed equity	16	89,660,490	89,660,490
Accumulated losses		(87,782,374)	(87,550,881)
TOTAL EQUITY		**1,878,116**	**2,109,609**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceed from Technology Revenue Transaction		1,500,000	-
Payments to suppliers and employees		(1,350,986)	(733,151)
Interest received		1,338	-
Interest paid		(15,103)	(19,455)
Tax benefit received		169,780	-
Net cash generated from/(used in) operating activities	**20**	305,029	(752,606)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets:			
Mineral Technology Development		(457,315)	(359,964)
Proceeds from sale of property, plant and equipment		25,000	-
Net cash (used in) investing activities		(432,315)	(359,964)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		95,000	1,622,413
Proceeds from short term loan		100,000	-
Repayment of short term loan		(200,000)	-
Repayment of lease liabilities		(173,115)	(66,901)
Net cash (used in)/generated from financing activities		(178,115)	1,555,512
NET (DECREASE)/INCREASE IN CASH HELD		(305,401)	442,942
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		472,097	29,155
CASH AT THE END OF THE FINANCIAL YEAR	**7**	166,696	472,097

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 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 2 November 2020.

Statement of Compliance

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

b) Basis of preparation

The financial report is presented in Australian dollars, which is the company’s functional currency. The financial report is prepared on the historical cost basis.

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

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

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

c) Going concern

The consolidated entity has a net current asset deficiency of $354,467 at 30 June 2020 (2019 net current asset surplus: $45,576).

The 30 June 2020 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.

In September 2020 the Company received a R&D tax concession refund for $405,693 for 2020.

The Directors believe that the consolidated entity will be able to fund future operations through the receipt of outstanding funds from shares issued, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 1 Significant Accounting Policies (Continued)

c) Going concern (Continued)

In addition, the Directors have implemented plans to reduce costs, including:

- successfully negotiated with core technical staff to change their terms of employment;
- directors agreed in the interim to reduce their directors' fees to $1,000 per month for each director effective from 1 January 2020 until the Company's financial position improves.

Notwithstanding the cost containment measures, without:

- the receipt of outstanding funds from shares issued;
- funding offered by potential new investors;
- further share issues to existing shareholders;
- successful commercialisation of mineral technologies;
- sale of surplus assets; and
- 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 is unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities in order to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the 30 June 2020 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 1 Significant Accounting Policies (Continued)

e) Foreign Currency Transactions

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

f) Property, Plant and Equipment

Owned assets

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

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

Leased assets

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimate useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 1 Significant Accounting Policies (Continued)

g) Intangible Assets – Mineral Technology Development (Continued)

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.

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 comprise 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 1 Significant Accounting Policies (Continued)

k) Impairment (Continued)

Reversals of impairment

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

l) Employee Benefits

Liabilities for employee entitlements for wages, salaries and annual and long service leave represent present obligations resulting from employees' services up to reporting date, based on current wage and salary rates, including related on-costs. Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the periods during which services are rendered by employees. Obligations for employee benefits that are due or are expected to be paid more than 12 months after the end of the period in which the employees render the service are inflated for future expected salaries and discounted to their present value using the appropriate Milliman discount rate.

m) Provisions

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

n) Trade and Other Payables

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

o) Revenue

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

p) Expenses

Operating lease payments

Payments made under operating leases not recognised as a Right-of-use asset are included 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 1 Significant Accounting Policies (Continued)

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 totalling $2,000,000 (2019: $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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 1 Significant Accounting Policies (Continued)

v) New Standards/Interpretations Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 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.

The Company has adopted AASB 16: Leases from 1 July 2019 (applicable to annual reporting periods commencing on or after 1 January 2019) using the modified retrospective approach, whereby the ROU asset will equal to the lease liability and no restatement of comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 2 Net Financing Cost

	2020 $	2019 $
Interest income	1,338	-
Interest expense	(15,467)	(19,455)
Net Financing expenses	**(14,129)**	**(19,455)**

Note 3 Auditors' Remuneration

Remuneration of the auditor of the Group for: Audit services

Audit and review of financial reports	**45,000**	**45,000**

Note 4 Employee Benefits

Wages, salaries and leave entitlements taken	432,681	41,592
Contributions to defined contribution superannuation funds	32,249	5,675
Increase / decrease in liability for employee benefits	30,877	34,199
	495,807	**81,466**

Note 5 Income Tax Expense

a) The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax amount in the financial statements as follows:

Loss from ordinary activities	(351,272)	(1,113,210)
Prima facie income tax benefit calculated at 27.5% (2019: 27.5%) of taxable loss	96,600	306,133
Non-deductible items	(486,419)	(225,000)
R&D Refund	119,779	259,598
Movement in unrecognised temporary differences	451,191	-
Taxable losses not recognised	(61,372)	(81,133)
Income tax benefit	**119,779**	**259,598**

b) Franking account balance	**-**	**-**
c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised.	**22,960,121**	**24,246,889**
Potential tax benefit at 27.5%	6,314,033	6,667,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 6 Earnings Per Share

	2020 Cents per share	2019 Cents per share
Basic loss per share (cents per share)	(0.007)	(0.04)
Diluted loss per share (cents per share)	(0.007)	(0.04)

	Number	Restated Number
Weighted average number of shares		
Issued ordinary shares at 1 July	3,239,862,956	2,190,229,622
Effect of shares issued	-	239,041,096
Weighted average number of ordinary shares at 30 June	3,239,862,956	2,429,270,718

Note 7 CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank and on hand	166,696	472,097

Note 8 TRADE AND OTHER RECEIVABLES

Current			
Share capital receivable		295,000	614,750
Other receivables		548,973	-
Impairment provision	23	(535,827)	-
		308,146	614,750

Note 9 Consolidated Entities

Name of controlled entity	Country of incorporation	Class of shares	Ownership interest 2020 %	Ownership interest 2019 %
Almeth Pty Ltd	Australia	Ordinary	100	100
Austpac Technology Pty Ltd	Australia	Ordinary	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 10 PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment	**Total**
Movement in property, plant and equipment		
	$	**$**
Cost		
Balance at 1 July 2018	212,337	212,337
Acquisitions	-	-
Disposals	-	-
Balance at 30 June 2019	212,337	212,337
Balance at 1 July 2019	212,337	212,337
Acquisitions	-	-
Disposals	-	-
Reversal of Write down	-	-
Balance at 30 June 2020	**212,337**	**212,337**
Depreciation and impairment losses		
Balance at 1 July 2018	86,514	86,514
Depreciation for the year	34,271	34,271
Balance at 30 June 2019	120,785	120,785
Balance at 1 July 2019	120,785	120,785
Depreciation for the year	26,542	26,542
Balance at 30 June 2020	**147,327**	**147,327**
Carrying amounts		
At 30 June 2018	125,823	125,823
At 30 June 2019	91,552	91,552
At 30 June 2019	91,552	91,552
At 30 June 2020	65,010	65,010

The consolidated entity leases motor vehicles under finance lease agreements. At 30 June 2020 the net carrying amount of the leased motor vehicles, classified under plant and equipment was $65,010 (2019: $91,552). The leased equipment secures lease obligations (note 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 11 Intangible Assets

	Mineral Technology Development $	Total $
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
Balance at 1 July 2019	2,000,000	2,000,000
Expenditure	596,813	596,813
Impairment	(596,813)	(596,813)
Balance at 30 June 2020	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.

Note 12 Right-Of-Use Assets

Below table shows the amortisation schedule for Right-of-use asset, which is recognised by adopting AASB 16. The value of the asset is assessed based on lease commitment for the year ended 2020 to 2022.

Year	Beginning Balance $	Right-of-use asset Amortisation $	Ending Balance $
2020	417,106	(203,353)	213,753
2021	213,753	(169,216)	44,537
2022	44,537	(44,537)	-

Note 13 Trade and Other Payables

	2020 $	2019 $
Trade payables and accrued expenses	269,742	327,233
Other payables	19,489	-
Related party payable – directors fee	18,000	52,500
	307,231	379,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 14 Interest Bearing Liabilities

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 22.

	Note	2020	2019
		$	$
Current Liabilities			
Loans from related party – director		-	200,000
Unsecured Loans		100,000	-
Lease liabilities	**17**	197,301	17,044
		297,301	217,044
Non-Current Liabilities			
Lease liabilities	**17**	**46,180**	27,519

Note 15 Employee Benefits

	Note	2020	2019
Current			
Liability for long service leave		184,015	236,511
Liability for annual leave		494,601	207,983
Less ex-employee's entitlement for amounts owed to the company.	**23**	(453,839)	-
		224,777	**444,494**

Note 16 Contributed Equity

	2020 $	2019 $
Issued and paid up Capital		
3,165,662,956 (2019: 2,865,375,959) ordinary shares	88,867,990	88,572,990
Adjustment to issued and paid up capital *	-	295,000
3,165,662,956 (2019: 3,165,662,956) ordinary shares	88,867,990	88,867,990
74,200,000 (2019: 74,200,000) ordinary shares partly paid	792,500	792,500
	89,660,490	**89,660,490**

* Misstatement of Issued and Paid Up Capital in the Financial Statements 2019

After extensive investigations, it was discovered that 300,286,997 shares were issued for $0.001 per share prior to 1st July 2019. The recovery of $295,000 has now been agreed between the Company and the holder of those unreported issued shares ("the Holder"); where the Holder has agreed to repay the Company by 30th November 2020. The remaining $5,287 is not recoverable and was written off to cost of issue shares.

It was also discovered that the partly paid shares were overstated by 1,600,000 partly paid shares.

The financial statements of 2019 have been restated to correct this error. The effect of the restatement on those financial statements is summarised below. There is no effect on 2020 operating results.

<u>Effect on restatement:</u>

Increase in issued shares of 300,286,997 shares and equity of $295,000 and increase of amount receivables by $295,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 16 Contributed Equity (Continued)

a) Movement in ordinary share capital

		Number of shares	Issue price $	Restated Share capital $
2019				
1 July 2018	Opening balance	1,891,542,625		87,743,077
July 2018	Placement	128,000,000	0.001	128,000
January 2019	Placement	108,500,000	0.002	217,000
April 2019	Shareholder Share Purchase Plan	426,233,334	0.001	426,233
April 2019	Placement	365,000,000	0.0022	803,000
May 2019	Placement	21,900,000	0.0022	48,180
30 June 2019	Balance at end of year	2,941,175,959		89,365,490
	Adjustment to issued fully paid share capital*	300,286,997		295,000
	Adjustment to partly paid share capital*	(1,600,000)		-
	Adjusted balance at end of year	3,239,862,956		89,660,490
2020				
1 July 2019	Opening balance	3,239,862,956		89,660,490
	No movement during the year	-		-
30 June 2020	Balance at end of year	3,239,862,956		89,660,490

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. In the event of winding up, ordinary shareholders rank after creditors.

Dividends

No dividends were declared or paid during the financial year ended 30 June 2020 or 30 June 2019.

Note 17 Lease Liabilities

	Consolidated					
	2020			2019		
Finance Lease	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Within one year	29,670	2,151	27,519	20,777	3,733	17,044
Between one and five years	-	-	-	29,670	2,151	27,519
Total	29,670	2,151	27,519	50,447	5,884	44,563

The consolidated entity’s motor vehicle lease liabilities are secured by the leased assets of $65,010 per Note 10, (2019: $91,552), as in the event of a default, the assets revert to the lessor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 17 Lease Liabilities (Continued)

	2020 $	2019 $
Operating Leases		
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	197,301	213,874
Between one and five years	46,180	218,781
Balance at end of year	243,481	432,655

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

During the year ended 30 June 2020, $201,144 was recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases (2019: $301,671).

Note 18 Key Management Personnel Disclosures

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

Non-executive directors:	Mr T. Cuthbertson (Chairman)
	Mr G. Hiller
Executive director:	Mr C. Iles
Executive	Mr M.J. Turbott
Company Secretary	Mr N. Gaston

	Year	Directors Fees	Short Term Salaries	Short Term Consulting Fees	Non-Monetary Benefits	Other Long Term	Post Employment Super-annuation Contributions	Total
		$	$	$	$	$	$	$
Directors								
Mr T. Cuthbertson	**2020**	**41,000**	**-**	**17,500**	**-**	**-**	**-**	**58,500**
	2019	17,500	-	8,750	-	-	-	26,250
Mr C. Iles	**2020**	**31,000**	**-**	**39,675**	**-**	**-**	**-**	**70,675**
	2019	12,500	-	8,750	-	-	-	21,250
Mr G. Hiller	**2020**	**31,000**	**-**	**21,550**	**-**	**-**	**-**	**52,550**
	2019	8,333	-	5,833	-	-	-	14,166
Total	**2020**	**103,000**	**-**	**78,725**	**-**	**-**	**-**	**181,725**
	2019	38,333	-	23,333	-	-	-	61,666
Key Management Personnel								
Mr M.J. Turbott	**2020**	**-**	**180,000**	**-**	**10,658**	**15,721**	**18,000**	**224,379**
	2019	-	-	-	97,605	15,721	-	113,326
Mr N. Gaston	**2020**	**-**	**-**	**434,450**	**13,478**	**-**	**-**	**447,928**
	2019	-	-	190,960	4,652	-	-	195,612
Total	**2020**	**-**	**180,000**	**434,450**	**24,136**	**-**	**18,000**	**672,307**
	2019	-	-	190,960	102,257	15,721	-	308,938

In the interim, the directors have agreed to reduce their fees to $1,000 per month, effective from 1 January 2020 until the Company's financial position improves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 18 Key Management Personnel Disclosures (Continued)

As at 30 June 2020 $18,000 ($52,500 at 30 June 2019) is outstanding to Directors for 2020 for Director fees and $1,350 for consulting fees and are 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 $181,200 during the financial year ended 30 June 2020 (2019: $48,400). Notsag Pty Limited received $253,250 for capital raising services in the financial year ending 30 June 2020 (2019: $142,560).

Austpac Resources N.L. engaged Mr T. Cuthbertson, Mr C. Iles and Mr G. Hiller for the provision of consultancy services on a need's basis. The terms and conditions of the services are no more favourable than those available, or which might reasonably 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:

			2020 $	2019 $
Specified Directors:	Mr T. Cuthbertson	Consultancy Fees	17,500	8,750
	Mr C. Iles	Consultancy Fees	39,675	8,750
	Mr G. Hiller	Consultancy Fees	21,550	8,750

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:

	2020				2019			
Specified Directors:	Held at 1 July	Purchases	Forfeited/Sold	Held at 30 June	Held at 1 July	Purchases	Forfeited/Sold	Held at 30 June
MrT.Cuthbertson								
Ordinary Shares								
– Fully Paid	17,666,667	-	-	17,666,667	166,667	17,500,000	-	17,666,667
– Partly Paid	2,500,000	-	(1,000,000)	1,500,000	9,500,000	-	(7,000,000)	2,500,000
Mr M. Turbott								
Ordinary Shares								
– Fully Paid	8,338,192	-	(1,783,333)	6,554,859	7,438,192	900,000	-	8,338,192
– Partly Paid	4,400,000	-	(400,000)	4,000,000	12,712,926	-	(8,712,926)	4,000,000
Mr N. Gaston								
Ordinary Shares								
– Fully Paid	10,437,687	-	(8,000,000)	2,437,687	9,437,687	428,500,000	(427,500,000)	10,437,687
– Partly Paid	2,800,000	-	(800,000)	2,000,000	2,800,000	-	-	2,800,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 18 Key Management Personnel Disclosures (Continued)

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 2020.

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 existing at year end.

Loan to Company

A loan of $100,000 was made to the Company by a third party. The loan is unsecured with 10% interest rate per annum and is payable upon R&D tax refund is received. The loan is included in Current Liabilities.

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 $181,200 during the financial year ended 30 June 2020 (2019: $48,400). Notsag Pty Limited received $253,250 for capital raising in the financial year ending 30 June 2020 (2019: $142,560).

Wholly owned group

Details of interests in wholly owned controlled entities are set out in Note 9.

Note 19 EVENTS SUBSEQUENT TO REPORTING DATE

An ex-employee has served the Company a letter of demand for redundancy and other payments. The Company disputes the claims, and the Directors are of the view that there are no reasonable grounds for the ex-employee for such a claim.

The Company is continuing to investigate expenses and reimbursements claims by former executives with a view to recovering monies from those claims.

On 14th July 2020, the Company appointed Mr. C Iles as CEO of Austpac Resources N.L.

On 15th September 2020, the Company received a Research and Development tax concession refund for $405,693 for 2020.

The Directors are not aware of any other material subsequent events which affect the financial position of the company after 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 20 Reconciliation of Cash Flows from Operating Activities

Reconciliation of operating profit after income tax to net cash flows from operating activities.	2020	2019
	$	$
(Loss) for the year	(231,493)	(853,612)
Adjustments for:		
Depreciation	26,542	34,271
Impairment Expense	596,813	359,964
Non-recovery of receivable of ex-employee	81,988	-
Non-cash/operating items	(183,236)	-
Operating (loss) before changes in working capital and provisions	290,614	(459,377)
Decrease/(increase) in receivables	306,634	141,247
Increase/(decrease) in payables / provisions	(292,219)	(434,476)
Net cash generated from/(used in) operating activities	305,029	(752,606)

Note 21 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:

	Carrying amount	Fair value	Fair value hierarchy level	Carrying amount	Fair value	Fair value hierarchy level
	2020	2020		2019	2019	
Consolidated	$	$		$	$	
Trade and other receivables	308,146	308,146	1	614,750	614,750	1
Cash and cash equivalents	166,696	166,696	1	472,097	472,097	1
Interest bearing liabilities	343,481	343,481	2	244,563	244,563	2
Trade and other payables	307,231	307,231	2	379,733	379,733	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 21 Fair Value of Financial Assets and Liabilities (Continued)

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

Note 22 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 22 Financial Risk Management (Continued)

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:

	2020 $	2019 $
Financial assets		
Cash and cash equivalents	166,696	472,097
Trade and other receivables	308,146	614,780

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

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

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

Consolidated	Less than 6 Months	6-12 Months	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Total contractual cash flows	Carrying amount (assets)/liabilities
	$	$	$	$	$	$	$
2020							
Lease liabilities	112,410	84,891	46,180	-	-	243,481	243,481
Trade and other payables	307,231	-	-	-	-	307,231	307,231
2019							
Lease liabilities	8,522	8,522	27,519	-	-	44,563	44,563
Trade and other payables	379,733	-	-	-	-	379,733	379,733

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 22 Financial Risk Management (Continued)

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

Exposure to currency risk

The consolidated entity and the company are 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

	2020 $	2019 $
Fixed rate instruments		
Financial assets (surplus cash invested)	166,696	472,097
Financial liabilities (plant and equipment leases)	29,670	50,447

Fair value sensitivity analysis for fixed rate instruments

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

Commodity Price Risk

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

Capital Management

The consolidated entity's objectives when managing capital are to safeguard the consolidated entity's ability to continue as a going concern, in order to maintain a strong capital base sufficient to maintain future technology development and exploration of projects. In order to maintain or adjust the capital structure, the consolidated entity may issue new shares or sell assets to reduce debt. The consolidated entity's focus has been to raise sufficient funds through equity to fund technology development and exploration and evaluation activities. The consolidated entity monitors capital on the basis of the gearing ratio, however there are no external borrowings at 30 June 2020.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 23 CONTINGENT LIABILITIES

An ex-employee has served the Company a letter of demand for redundancy and other payments. The Company disputes the claims, and the Directors are of the view that there are no reasonable grounds for the ex-employee for such a claim. (2019: Nil)

Included in Receivables, an amount of $535,827 is owed by the ex-employee. Included in Current Liabilities is a provision of $453,839 for the ex-employee's holiday pay and long service leave. The company is of the view that it is unlikely that $535,827 owed by the ex-employee is capable of being recovered from the ex-employee. Accordingly, the Company has made provisions for the netting of amounts owed and the non-recovery of the net difference payable to the Company $81,988.

There are no other material contingent liabilities for the year ended 30 June 2020,

Note 24 Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2020 the parent entity of the Group was Austpac Resources N.L.

	2020 $	Restated 2019 $
Result of parent entity		
Loss for the year	(231,493)	(853,612)
Other comprehensive income	-	-
Total comprehensive loss for the period	(231,493)	**(853,612)**
Financial position of parent entity at year end		
Current assets	474,842	1,086,847
Non-current assets	2,278,763	2,091,552
Total assets	2,753,605	3,178,399
Current liabilities	829,309	1,041,271
Non-current liabilities	46,180	27,519
Total liabilities	875,489	1,068,790
Net Assets	1,878,116	2,109,609
Equity		
Share capital	89,660,490	89,660,490
Accumulated losses	(87,782,374)	(87,550,881)
Total equity	1,878,116	2,109,609

Subsequent Events

An ex-employee has served the Company a letter of demand for redundancy and other payments. The Company disputes the claims, and the Directors are of the view that there are no reasonable grounds for the ex-employee for such a claim.

The Company is continuing to investigate expenses and reimbursements claims by former executives with a view to recovering monies from those claims.

On 14th July 2020, the Company appointed Mr. C Iles as CEO of Austpac Resources N.L.

On 15th September 2020, the Company received a Research and Development tax concession refund for $405,693 for 2020.

The Directors are not aware of any other material subsequent events which affect the financial position of the company after 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 25 Misstatement of Issued and Paid Up Capital in the Financial Statements 2019

After extensive investigations, it was discovered that 300,286,997 shares were issued for $0.001 per share prior to 1st July 2019. The recovery of $295,000 has now been agreed between the Company and the holder of those unreported issued shares ("the Holder"); where the Holder has agreed to repay the Company by 30th November 2020. The remaining $5,287 is not recoverable and was written off to cost of issue shares.

It was also discovered that the partly paid shares were overstated by 1,600,000 partly paid shares.

The financial statements of 2019 have been restated to correct this error. The effect of the restatement on those financial statements is summarised below. There is no effect on 2020 operating results.

Effect on restatement:

Increase in issued shares of 300,286,997 shares and equity of $295,000 and increase of amount receivables by $295,000.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Austpac Resources N.L:

    a. the consolidated financial statements and notes set out on pages 17 to 42 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 2020 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 2020.

Signed in accordance with a resolution of the Directors.

T. Cuthbertson	C. Iles
Chairman	Director

Sydney, 2 November 2020

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

Report on the Audit of the Financial Report

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 2020, 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 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 2020, 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 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 2020 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 Opinion

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

MNSA Pty Ltd
ABN 59 133 605 400

Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001

Tel (02) 9299 0901
Fax (02) 9299 8104
Email admin@mnsa.com.au

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 2020, 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
Intangible Asset ($2,000,000)	
Refer to Note 11 "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 Groups business and the significant intangible asset balance (being 73% of total assets); and • the greater level of audit effort to evaluate the Group's application of the requirements of the accounting standard AASB 138 Intangible Assets, in particular the development phase conditions allowing capitalisation of relevant expenditure and presence of impairment indicators 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.	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 the 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
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; • 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.
Issued Capital During the year it was discovered that 300,286,997 shares were issued for $0.001 per share prior to 1st July 2019. The recovery of $295,000 has now been agreed between the Company and the holder of those unreported issued shares.	We have discussed the matter outlined in Note 16 and performed the following: • to understand the matter, we have been briefed and had detailed discussions with the Board of Directors'; • we reviewed various preliminary reports and findings in regard to these issues; • considered whether the disclosures relating to them are balanced, proportionate and clear. Based on our understanding, the matter has been resolved. The amounts outstanding and shares on issue have been reconciled and amounts due agreed.

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Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Litigation and Subsequent Event During the year various matters and issues arose in regard to the operations of the Company and activities of the Company's management. Litigation is being considered on suspected overpayments to certain former employees. The company has been notified that one of these employees has threatened legal litigation for termination of their employment. At this time the company's external advisers are continuing to investigate.	We have discussed the various issues outlined in Notes 19 and 23 and performed the following: • to understand the matters, we have been briefed and had detailed discussions with the Board of Directors'; • we reviewed various preliminary reports and findings in regard to these issues; • considered whether the disclosures relating to them are balanced, proportionate and clear. Based on our understanding, the matters and issues are still unresolved.

Other Information

The directors of Austpac Resources N.L are responsible for the other information. The other information comprises the information in the Groups annual report for the year ended 30 June 2020, 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. 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 9 of the directors' report for the year ended 30 June 2020.

In our opinion the remuneration report of Austpac Resources N.L for the year ended 30 June 2020, 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 **2nd day of November 2020**

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ADDITIONAL STOCK EXCHANGE INFORMATION

Directors' Interests

The maximum contingent liability of the group for termination benefits under service agreements with directors and persons who take part in the management of the parent entity amount to $nil at 30 June 2020.

Shareholdings

Substantial Shareholders

The number of shares held by the substantial shareholders listed in the holding company's register as at 28 October 2020 was:

	Number of Ordinary Shares Held	Percentage (%) held to Issued Capital
YANGANG (HONG KONG) CO LIMITED	365,000,000	11.26

Class of shares and voting rights

At 28 October 2020 there were 3,766 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:	Kenneth Lee
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 Level 12 680 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 28 October 2020

Unit	Number of Ordinary Shareholders
1-1,000	184
1,001-5,000	550
5,001-10,000	465
10,001-100,000	1,449
100,001 and over	1,118

Holders of less than a marketable parcel: 2,968

20 Largest Shareholders as at 28 October 2020

	Number of Ordinary Shares Held	Percentage (%) held to Issued Capital
YANGANG (HONG KONG) CO LIMITED	365,000,000	11.26
MR JOHN MCGREGOR SKINNER	119,510,200	3.69
PRESTCORP PTY LIMITED	105,634,910	3.26
KRONOS INTERNATIONAL INC.	76,470,588	2.36
MR WILLIAM JOHN GAYMANS & MRS ZELDA ELIZABETH GAYMANS	75,218,817	2.32
PACIFIC CUSTODIANS PTY LIMITED	74,200,000	2.29
MR STEPHEN JOSEPH HARRIS	62,500,000	1.93
MR RICHARD LOUDEN DELANEY & MR IAN ARTHUR CAINS	61,441,196	1.90
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
MR RICHARD LOUDEN DELANEY	35,214,460	1.09
MS ROSEMARIE CREMONA	34,018,707	1.05
ORIENT ZIRCONIC RESOURCES (AUSTRALIA) PTY LTD	33,000,000	1.02
BALLADONIA INVESTMENTS PTY LTD	32,367,054	1.00
MR ROBERT CHARLES CLAXTON	30,637,885	0.95
STRICKLAND FINANCE CO PTY LTD	29,100,000	0.90
MR RIK DEATON	28,480,000	0.88
MR PETER KEVIN KING	26,370,584	0.81
MR KERRY CAMERON KING & MRS CHRISTINE MARGARET KING	25,000,000	0.77

The 20 largest shareholders hold 41.61% of the ordinary shares of the holding company.

CORPORATE DIRECTORY

Members of the Board

Mr Terry Cuthbertson ACA
Chairman

Mr Colin Iles
Director/CEO

Mr Geoff Hiller BEng – Mining (Hons), BEng – Civil (Hons), MBA
Director

Secretaries

Mr Kenneth Lee FCA (England & Wales), MBA
Company Secretary

Auditor

MNSA
Level 1
283 George Street
Sydney NSW 2000

Solicitors

GrilloHiggins Lawyers
Level 4
114 William Street
Melbourne VIC 3000

Share Registry

Link Market Services Limited
Securities Registration Services
Level 12
680 George Street
Sydney NSW 2000

Banker

ANZ Bank
115 Pitt Street, Sydney, NSW 2000

Commonwealth Bank Australia
51 Willoughby Road, Crows Nest NSW 2065

STOCK EXCHANGE LISTING

Australian Securities Exchange Limited (Sydney)