

31 August 2016

The Manager
Company Announcements
Australian Stock Exchange Limited
Exchange Centre
Level 6
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

RE: AUSTPAC RESOURCES N.L.
PRELIMINARY FINAL REPORT 30 JUNE 2016

We are pleased to provide Australian Stock Exchange preliminary final report for the year ended 30 June 2016.

Yours faithfully

N.J. Gaston
Company Secretary

enc

Appendix 4E

Preliminary final report

Name of entity

AUSTPAC RESOURCES N.L.

ABN or equivalent company
reference

87 002 264 057

Half yearly
(tick)

☐

Preliminary
final (tick)

☒

Financial year ended ('current period')

30 June 2016

Results for announcement to the market

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

\$A'000

Revenues from ordinary activities (item 1.1)	Up	to	-
Profit from ordinary activities after tax attributable to members (item 1.22)	Up	100%	to 1,257
Profit/Loss from extraordinary items after tax attributable to members (item 2.5(d))			-
Profit for the period attributable to members (item 1.11)	Up	100%	to 1,257
Dividends (distributions)	Amount per security	Franked amount per security	
Final dividend (Preliminary final report only - item 15.4)	N/A ¢	N/A	¢
Previous corresponding period (Preliminary final report - item 15.5)	N/A ¢	N/A	¢
<p>+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (see item 15.2)</p> <p>N/A</p>			
<p>Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:</p>			

Condensed consolidated statement of financial performance

	Current period - \$A'ooo	Previous corresponding period - \$A'ooo
1.1 Revenues from ordinary activities (<i>see items 1.23 -1.25</i>)	-	-
1.2 Expenses from ordinary activities (<i>see items 1.26 & 1.27</i>)	(1,536)	(1,315)
1.3 Borrowing costs	-	-
1.4 Share of net profits (losses) of associates and joint venture entities (<i>see item 16.7</i>)	-	-
1.5 Profit (loss) from ordinary activities before tax	(1,536)	(1,315)
1.6 Income tax benefit	2793	472
1.7 Profit (loss) from ordinary activities after tax	1,257	(843)
1.8 Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)	-	-
1.9 Net profit (loss)	1,257	(843)
1.10 Net profit (loss) attributable to outside +equity interests	-	-
1.11 Net profit (loss) for the period attributable to members	1,257	(843)
Non-owner transaction changes in equity		
1.12 Increase (decrease) in revaluation reserves		
1.13 Net exchange differences recognised in equity		
1.14 Other revenue, expense and initial adjustments recognised directly in equity (attach details)		
1.15 Initial adjustments from UIG transitional provisions		
1.16 Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	-	-
1.17 Total changes in equity not resulting from transactions with owners as owners	-	-

Earnings per security (EPS)	Current period	Previous corresponding Period
1.18 Basic EPS (in cents)	.08 cents	(.06 cents)
1.19 Diluted EPS (in cents)	.08 cents	(.06 cents)

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+ See chapter 19 for defined terms.

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	1,257	(843)
1.21 Less (plus) outside ⁺ equity interests	-	-
1.22 Profit (loss) from ordinary activities after tax, attributable to members	1,257	(843)

Revenue and expenses from ordinary activities

(see note 15)

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Revenue from Licence fee income	-	-
1.24 Interest revenue	-	-
1.26 Administration and corporate overheads	1,347	(778)
1.27 Depreciation and amortisation excluding amortisation of intangibles (<i>see item 2.3</i>)	(90)	(65)
Capitalised outlays		
1.28 Interest costs capitalised in asset values	-	-
1.29 Outlays capitalised in intangibles (unless arising from an ⁺ acquisition of a business)	-	-

Consolidated retained profits

	Current period - \$A'000	Previous corresponding period - \$A'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	(51,647)	(50,804)
1.31 Net profit (loss) attributable to members (<i>item 1.11</i>)	1,257	(843)
1.32 Net transfers from (to) reserves (<i>details if material</i>)	-	-
1.33 Net effect of changes in accounting policies	-	-
1.34 Dividends and other equity distributions paid or payable	-	-
I.F.R.S		
1.35 Retained profits (accumulated losses) at end of financial period	(50,390)	(51,647)

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Intangible and extraordinary items

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

Comparison of half year profits

(Preliminary final report only)

		Current year - \$A'000	Previous year - \$A'000
3.1	Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year (item 1.22 in the half yearly report)	1,090	(1,017)
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year	167	174

Condensed consolidated statement of financial position		At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Current assets				
4.1	Cash	616	204	52
4.2	Receivables	126	219	2,378
4.3	Investments	-	-	45
4.4	Inventories	-	-	-
4.5	Tax assets	-	-	-
4.6	Other (provide details if material)	-	-	-
4.7	Total current assets	742	423	2,475
Non-current assets				
4.8	Receivables	-	-	-
4.9	Investments (equity accounted)	-	-	-
4.10	Other investments	-	-	-
4.11	Inventories	-	-	-
4.12	Mineral technology development and exploration and evaluation expenditure capitalised (<i>see para .71 of AASB 1022</i>)	36,056	35,036	35,126
4.13	Development properties (+mining entities)	-	-	-
4.14	Other property, plant and equipment (net)	183	272	242
4.15	Intangibles (net)	-	-	-
4.16	Tax assets	-	-	-
4.17	Other (provide details if material)	-	-	-
4.18	Total non-current assets	36,239	35,308	35,368
4.19	Total assets	36,981	35,731	37,843
Current liabilities				
4.20	Payables	339	702	1,207
4.21	Interest bearing liabilities	84	173	204
4.22	Tax liabilities	-	-	-
4.23	Provisions	783	933	888
4.24	Other (Project Funds in Advance)	-	-	-
4.25	Total current liabilities	1,206	1,808	2,299
Non-current liabilities				
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	101	149	78
4.28	Tax liabilities	-	-	-
4.29	Provisions exc. tax liabilities	-	-	-
4.30	Other (provide details if material)	-	-	-
4.31	Total non-current liabilities	101	149	78

Condensed consolidated statement of financial position continued

4.32	Total liabilities	1,307	1,957	2,377
4.33	Net assets	35,674	33,774	35,466
Equity				
4.34	Capital/contributed equity	86,064	85,421	86,023
4.35	Reserves	-	-	-
4.36	Retained profits (accumulated losses)	(50,390)	(51,647)	(50,557)
4.37	Equity attributable to members of the parent entity	35,674	33,774	35,466
4.38	Outside +equity interests in controlled entities	-	-	-
4.39	Total equity	35,674	33,774	35,466
4.40	Preference capital included as part of 4.37	-	-	-

Notes to the condensed consolidated statement of financial position

Technology, Exploration and evaluation expenditure capitalised

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

	Current period \$A'ooo	Previous corresponding period - \$A'ooo
5.1 Opening balance	35,036	34,562
5.2 Expenditure incurred during current period	1,020	474
5.3 Expenditure written off during current period	-	-
5.4 Acquisitions, disposals, revaluation increments, etc.	-	-
5.5 Expenditure transferred to Development Properties	-	-
5.5A I.F.R.S. Compliance Adjustment	-	-
5.6 Closing balance as shown in the consolidated balance sheet (item 4.12)	36,056	35,036

Development properties

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

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

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

Condensed consolidated statement of cash flows

	Current period \$A'ooo	Previous corresponding period - \$A'ooo
Cash flows related to operating activities		
7.1 Receipts from customers (licence fee income)	-	-
7.2 Payments to suppliers and employees	(1,919)	(1,325)
7.3 Dividends received from associates		
7.4 Licence fee income	45	-
7.5 Interest and other items of similar nature received		
7.6 Interest and other costs of finance paid	(23)	(32)
7.7 Income taxes refund	2,793	879
7.8 Other (provide details if material)		
7.9 Net operating cash flows	896	(478)
Cash flows related to investing activities		
7.10 Payment for purchases of property, plant and equipment		
7.11 Proceeds from sale of EL4521	-	
7.12 Payment for purchases of equity investments		
7.13 Proceeds from sale of equity investments		
7.14 Loans to other entities		
7.15 Loans repaid by other entities		
7.16 Other (Mineral Technology and Development Expenditure and Exploration Expenditure)	(1,020)	(473)
7.17 Net investing cash flows	(1,020)	(473)
Cash flows related to financing activities		
7.18 Proceeds from issues of +securities (shares, options, etc.)	643	1,082
7.19 Proceeds from borrowings		
7.20 Lease payments	(57)	(66)
7.21 Dividends paid		
7.22 Loan from related party	(50)	50
7.23 Net financing cash flows	536	1,066
7.24 Net increase (decrease) in cash held	412	115

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7.25	Cash at beginning of period (see Reconciliation of cash)	204	89
7.26	Exchange rate adjustments to item 7.25.		
7.27	Cash at end of period (see Reconciliation of cash)	616	204

Non-cash financing and investing activities

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

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Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
8.1 Cash on hand and at bank	616	204
8.2 Deposits at call		-
8.3 Bank overdraft		-
8.4 Other (provide details)		-
8.5 Total cash at end of period (item 7.27)	616	204

Other notes to the condensed financial statements

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

Earnings per security (EPS)

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

Classification of securities as ordinary shares

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

- (a) ordinary shares

Classification of securities as potential ordinary shares

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

Earnings per security (EPS)	Current period	Previous corresponding Period
Basic EPS (in cents)	.08 cents	(.06 cents)
Diluted EPS (in cents)	.08 cents	(.06 cents)

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Earnings reconciliation		
Net profit (loss)	1,257	(843)
Net profit (loss) attributable to outside equity interests		
Restatement of prior year earnings for effect of change in accounting policy adjusted directly against retained profits		
Basic earnings	1,257	(843)
After-tax effect of interest	-	-
Diluted earnings		
(Diluted EPS has not been calculated for ordinary shares as there are no potential ordinary shares on issue that are dilutive in respect of these shares).	-	-
Weighted average number of shares used as the denominator		
Number for basic earnings per share		
Ordinary shares	-	-

NTA backing

(see note 7)

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

Discontinuing Operations

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

12.1 Discontinuing Operations

N/A

Control gained over entities having material effect

13.1 Name of entity (or group of entities)

N/A

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

\$

13.3 Date from which such profit has been calculated

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

\$

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)

N/A

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

\$

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

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

\$

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

\$

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+ See chapter 19 for defined terms.

Dividends (in the case of a trust, distributions)

15.1 Date the dividend (distribution) is payable

N/A

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

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

Amount per security

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

Total dividend (distribution) per security (interim *plus* final)

N/A

(Preliminary final report only)

15.8 ⁺Ordinary securities

15.9 Preference ⁺securities

Current year	Previous year
¢	¢
¢	¢

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

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

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

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

N/A

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

N/A

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

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

Group's share of associates' and joint venture entities':

- 16.1 Profit (loss) from ordinary activities before tax
- 16.2 Income tax on ordinary activities
- 16.3 Profit (loss) from ordinary activities after tax
- 16.4 Extraordinary items net of tax
- 16.5 Net profit (loss)
- 16.6 Adjustments

Current period \$A'000	Previous corresponding period - \$A'000
N/A	N/A

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

Material interests in entities which are not controlled entities

N/A

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

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

Issued and quoted securities at end of current period

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

Category of +securities	Total number	Number quoted	Issue price per security	Amount paid up per security
18.1 Preference +securities (description)	-	-	-	-
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	-	-	-	-
18.3 +Ordinary securities	1,452,100,109	1,377,487,183	-	-

18.4	Changes during current period				
	(a) Increases through issues				
	Nov 2015	100,439,943	-	\$0.006	
	Mar 2016	8,000,000		\$0.005	
	Other - Balance of				
	(b) Share purchase shares	52,072,926			\$0.01
	(c) Increase through issues				
	(d) Forefeited shares held for re-issue	22,540,000			-
18.5	+Convertible debt securities (description and conversion factor)	-	-	-	-
18.6	Changes during current period				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
18.7	Options (description and conversion factor)	-	-	Exercise price	Expiry date (if any)
18.8	Issued during current period				
18.9	Exercised during current period				
18.10	Expired during current period				
18.11	Debentures (description)				
18.12	Changes during current period				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
18.13	Unsecured notes (description)	-	-		
18.14	Changes during current period				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				

Segment reporting

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

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

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

Business segments

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

Geographical segments

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

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

Australia Mineral sands and technology development

Primary Reporting Geographic Segments	AUSTRALIA		CONSOLIDATED	
	2016 \$'000's	2015 \$'000's	2016 \$'000's	2015 \$'000's
Revenue				
External segment revenue	-	-	-	-
Inter-segment revenue	-	-	-	-
Total segment revenue	-	-	-	-
Other unallocated revenue	-	-	-	-
Total revenue	-	-	-	-
Result				
Segment result – Profit / (loss)	1,257	(843)	1,257	(843)
Share of net profit or loss/result of equity accounted investments				
Unallocated corporate expenses				
Profit from ordinary activities before income tax				
Income tax (expense) / benefit				
Profit from ordinary activities after income tax				
Extraordinary items after tax				
Net profit	<u>1,257</u>	<u>(843)</u>	<u>1,257</u>	<u>(843)</u>
Depreciation and amortisation		-		-
Non-cash expenses other than depreciation and amortisation		-		-
Individually significant items		-		-

COMMENTARY

CORPORATE

In November 2015 Austpac Resources N.L. completed a Shareholder Share Purchase Plan, well supported by smaller shareholders, resulting in the issue of 100,439,943 fully paid ordinary shares at \$0.006 each to raise \$602,640.

In March 2016 Austpac resources N.L. completed a private placement of 8,000,000 fully paid ordinary shares at \$0.005 each to raise \$40,000.

In March 2016 Austpac Resources N.L. received an R+D tax concession refund for \$2.33 million for expenditure at Newcastle during the 2013- 2014 year.

In May 2016 Austpac Resources N.L. received an R+D tax concession refund of \$457,000 for expenditure at Newcastle during the 2015 year.

NEWCASTLE ZINC & IRON RECOVERY PLANT

Primary steel is produced from iron ore by using a blast furnace (BF) and basic oxygen furnace (BOF). The fine dust emitted from these furnaces contains predominantly iron oxide with some minor contaminants, including zinc. The Newcastle Iron Recovery Plant (NIRP) was originally designed to process these dusts by combining them with mill scale from steel milling and spent pickle liquor (SPL) from steel pickling operations. Prior to 2010, Austpac undertook extensive testwork on BF and BOF dusts and produced iron pellets with very low contaminants and strong HCl. Zinc and other volatile metals were removed from the iron during the reduction stage of the process and captured as oxides.

Steel is also produced by melting iron scrap or direct reduced iron in an electric arc furnace (EAF). Iron scrap generally contains other metals including zinc, which is derived from galvanised iron. The volatile metals are contained in the off-gas dusts emitted by the EAF, and EAF dust (EAFD) generally contains between 10% and 40% Zn in the form of zinc oxides and other zinc minerals. EAF dust (EAFD) is classified as a hazardous waste, which is difficult to recycle, and is often disposed of in landfills. Prior to 2010, Austpac also tested high-zinc EAFD in the pilot plant at Newcastle, and while a marketable iron pellet was produced, it was not possible to separate the zinc oxide from the carbon in the reduction roaster off-gas stream and produce a saleable zinc product. Austpac recognised that EAFD was a significant zinc resource, but as it could not be economically recovered at that time, the Company focused on using mill scale and BF and BOF dusts as feed for the NIRP.

In mid-2015, Austpac was introduced to a new membrane/electrolysis process that produced zinc metal and HCl from zinc chloride solutions (e.g. spent galvanising pickle liquor). Austpac's process regenerates HCl from iron chloride-rich SPL, and as it was planned to replace the second fluid bed reduction stage in the NIRP with an induction furnace, it would be possible to capture the zinc oxide in the furnace off-gas by scrubbing with HCl to produce zinc chloride liquor. It was therefore decided to investigate the feasibility of integrating the membrane/electrolysis process with Austpac's process so that a modified Newcastle plant could process EAFD and produce zinc metal, pig iron and strong HCl (the Newcastle Zinc & Iron Recovery Plant, or "NZIRP").

During the latter half of 2015, Austpac modified the flowsheet and developed a mass and energy balance to derive inputs and outputs for the NZIRP, and it was clear that the production of zinc significantly improved the economics of the Plant. During the first quarter of 2016, Austpac undertook detailed due diligence and consulted recognised hydrometallurgical experts regarding the use of the membrane/electrolysis process. It was concluded that the additional equipment which was required to produce zinc and HCl simultaneously would add significantly to the capital cost, and the risk involved in pioneering a new technology was high. While it is technically feasible to use electrolysis to produce zinc metal from zinc chloride liquors, it has never been proven commercially. However the production of zinc from zinc sulfate liquors using electrolysis is well proven technology that is currently used in zinc refineries around the world, and is was an alternative to chloride technology.

During the second quarter of 2016, Austpac commenced evaluating the feasibility of incorporating the proven zinc recovery technology into the NZIRP flowsheet. The additional equipment required for this modification is significantly less than would have been required for chloride electrolysis. Data for the liquor purification and electrolysis sections obtained during the earlier study was used to estimate

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preliminary costs for the modified NZIRP. It was concluded that the modified plant using predominantly EAFD together with SPL from the steel pickling operations would produce 6,300 tpa of zinc, 6,150 tpa of pig iron, and 9,500 tpa of HCl and would be an economically robust project. The Plant modifications which use proven technology will reduce process risk and improve Plant reliability. Preparations are underway to patent this new concept developed by Austpac, because the use of pyrometallurgy to produce iron and HCl together with hydrometallurgy to recover zinc in a purpose-designed plant is unique.

ONGOING DEVELOPMENTS IN THE USA

During June 2016, Austpac continued to advance negotiations with a group of influential companies in the USA who recognise that Austpac's technologies create an immediate opportunity to recycle some of the hundreds of thousands of tonnes of EAFD produced each year by the US steel industry. Over 60% of the 87 million tonnes of steel produced in the country is from electric furnaces. The parties intend to sign an agreement to exploit Austpac's technology in the USA, which will provide funding for a testwork and engineering program and lead to a feasibility study for commercial zinc-iron-HCl recovery plant in North America. Austpac has developed capital and operating costs for the zinc recovery technology, and we are jointly developing a preliminary economic model for plants sited in the steel producing areas of the north-east of the country.

This initiative is an important advance for the Company and the potential for a novel technology to process EAFD and recover zinc, iron and HCl from steel industry wastes in the USA is significant.

ERMS SR SYNRTILE TECHNOLOGY LICENCE

Austpac reported in the March 2016 Quarterly Report that it had been approached by a company with a significant heavy mineral resource in Asia regarding the ERMS SR synrutile process and was discussing terms for the use of Austpac's technology.

During the June 2016 quarter discussions were significantly advanced. The company plans to develop a mine and a mineral separation plant to produce ilmenite, rutile and zircon, and is seeking technology to add value to the ilmenite. Negotiations are nearing completion on the terms of a licence to use the ERMS SR process in a plant to beneficiate the ilmenite and produce high grade synrutile. The company proposes to sell the synrutile for use as feedstock for the production of titanium sponge, an intermediate process in the manufacture of titanium metal. On conclusion of the agreement the company plans to undertake a scoping study followed by a bankable feasibility study, and it will establish an entity to manage the construction and operation of an ERMS SR Plant.

The licence agreement is awaiting the final approval from the company's board and the commercial terms of the licence remain confidential until the agreement is signed.

EL 5291 NHILL

Austpac has been awarded a grant by the Department of Energy and Earth Resources under the Victorian Government's TARGET initiative to co-fund a geophysical and drilling program at Nhill (EL 5291). The first stage of the program comprises magnetic and gravity surveys to define a target generated during Austpac's earlier work at Nhill. This will be followed with a deep drill hole through over 100 metres of younger Murray Basin sediments to obtain core from deep within the basement to test for porphyry copper-gold and volcanic-hosted massive sulphide systems.

The work is scheduled to be completed during the 2016-2017 financial year.

Mining Exploration Entities:

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

Basis of financial report preparation

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

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

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

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

None

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

-

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

-

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

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

-

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

-

- 19.8 The financial report has been prepared on the basis of a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities

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+ See chapter 19 for defined terms.

will occur in the normal course of business. The directors believe that the company and the consolidated entity will be able to fund future operations through share issues, the successful commercialisation of mineral technologies and the joint venturing of interests held in mineral projects.

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

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

Additional disclosure for trusts

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

-

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

Identify:

- initial service charges
- management fees
- other fees

-

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

TO BE ADVISED

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+ See chapter 19 for defined terms.

Date	24 NOVEMBER 2016
Time	4:30 PM
Approximate date the +annual report will be available	

Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views
- 2 This report gives a true and fair view of the matters disclosed
- 3 This report is based on +accounts to which one of the following applies.
(Tick one)

<input type="checkbox"/> The +accounts have been audited.	<input type="checkbox"/> The +accounts have been subject to review.
<input type="checkbox"/> The +accounts are in the process of being audited or subject to review.	<input checked="" type="checkbox"/> The +accounts have <i>not</i> yet been audited or reviewed.
- 4 The audit report is not attached.
- 5 The entity does have a formally constituted audit committee.

Sign here: Date: 31 August 2016
(Company Secretary)

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