



AUSTPAC RESOURCES N.L.

ACN 002 264 057
ABN 87 002 264 057

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28 February 2014

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.
HALF-YEARLY REPORT 31 DECEMBER 2013

We are pleased to provide Stock Exchange half-yearly report 4D for period ended 31 December 2013 together with the Auditors Review report.

Yours faithfully

N.J. Gaston
Company Secretary

enc

Austpac Resources N.L. and its Controlled Entities
Half-year ended 31 December 2013
ABN 87 002 264 057

Appendix 4D
Results for announcement to the market

				\$'000's
Revenue	0	0	To	0
Profit/ (loss) before tax	Down	144%	To	(\$2,030)
Profit/ (loss) attributable to equity holders	Down	144%	To	(\$2,030)

No dividend has been paid or proposed for the six-month period ended 31 December 2013.

Review of operations

Commentary on the results of the consolidated entity has been included in the Directors' Report.

	As at 31 December 2013	As at 31 December 2012
Net tangible asset per security (cents)	0.00	0.00

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

ABN 87 002 264 057

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2013

Austpac Resources N.L. and its controlled entities

Directors' Report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2013 and the auditor's review report thereon.

Directors

The directors of the Company during or since the end of the half-year and until the date of this report are:

<i>Name</i>	<i>Period of Directorship</i>
Non-executive Mr Terry Cuthbertson	Director since March 2001, Chairman since May 2004
Non-executive Mr Robert Harrison	Director since 1 September 2004
Executive Mr Michael J. Turbott	Managing Director since March 1985

Review and Results of Operations

The net result of operations after applicable income tax expense for the half-year was a loss of \$2,030,251 (2012: profit of \$4,578,506).

In November 2013, Austpac completed a placement of 71,666,666 million fully paid ordinary shares at 3 cents each to raise \$2,150,000 for the continuing development of the Newcastle Iron Recovery Plant and for working capital.

Newcastle Iron Recovery Plant

BlueScope Steel Agreement

In December 2013, Austpac announced it had signed an agreement with BlueScope Steel, Australia's largest steel producer, to undertake a bulk trial to recover iron and other by-products from waste iron oxide dusts. This agreement follows extensive laboratory and pilot scale testwork previously undertaken at Newcastle on BlueScope's dusts, which produced samples of high quality iron.

BlueScope will provide a 1,000 tonne sample of dusts collected from the off-gases produced from their steel-making processes, together with sufficient spent pickle liquor, which Austpac will process at the NIRP to produce saleable iron briquettes, hydrochloric acid and other by-products. Austpac will initially use mill scale to commission the NIRP, and BlueScope's dusts will be processed during the latter part of commissioning. BlueScope has agreed to purchase the iron briquettes at appropriate commercial market rates, and plans to trial them at their Port Kembla steel-making facility.

BlueScope operates steel processing facilities in New South Wales, Victoria and New Zealand. When the trial has been completed, BlueScope has the right to negotiate with Austpac for licences to use the technology at one or more of their plants.

Iron oxide dusts are produced by all steel making facilities and they often contain other minor metals such as zinc, making them difficult to recycle due to accumulation issues. Consequently many facilities around the world have very large stockpiles, some containing millions of tonnes of the waste dust. Austpac's process separates and concentrates these minor metals allowing them to be recovered. BlueScope is the first steelmaker to recognise the potential of and commit resources to Austpac's recycling technologies. Austpac's processes are believed to be the only viable technology to recover both iron and minor metals from steel mill dusts. Once the trial is completed, the Company will be well placed to licence its technologies to iron and steel plants around the world. Discussions have commenced with international steel producers who are interested in Austpac's technologies.

Construction of the Newcastle Iron Recovery Plant Continues to Progress

The North Tower Extension

Most steel sections for the north tower extension have been fabricated and are being installed as they are delivered to site. The tower houses the EARS and metallisation section, which comprises four fluid bed reactors (the low temperature Evaporator-Pelletiser, the Pyrohydrolysis roaster, and the Gasifier-Metallisation roasters) together with the ancillary gas scrubbers and pumps.

The two fluid bed roasters for iron oxide reduction which must be installed first are awaiting completion of their refractory lined plenum and gas distributor plates. Once these are fitted, the roasters will be installed beside the stoves (now in place) at the lowest level of the north tower.

Austpac Resources N.L. and its controlled entities

The Mill Scale Preparation Section

In late 2013, modifications were made to the mill scale preparation section to enable the Plant to handle very fine material such as the iron oxide waste dusts produced by furnaces during the iron and steel making processes. Closed chutes and hoppers, covers for the conveyors and a cover over the trommel have been installed to minimize dust emissions and protect the mill scale and fine dusts from wind and rain.

The Pilot Scale Facility

The expansion and upgrading of the pilot scale facility at the Plant has been completed. This facility will allow testing of a wide variety of steel mill wastes, especially fine iron oxide dusts, to verify they will be suitable as feed for the Plant. It will also be used for preliminary scoping of BlueScope's dusts prior to running the 1,000 tonne sample through the NIRP.

The equipment has been designed to duplicate the processes being undertaken in the NIRP, and it includes an evaporator to produce mixed iron oxide-iron chloride pellets from fine dusts and pickle liquor, and a new batch fluid bed roaster for both pyrohydrolysis and metallisation.

Nhill

The Nhill tenement covers strong NNW-trending magnetic and gravity anomalies delineated by government survey data. These anomalies represent features within the ancient basement that underlies the much younger sediments of the Murray Basin, and they are believed to include probable extensions of the Mount Staveley Volcanic Complex which is considered very prospective for base metal mineralization. The area of EL 5291 has been explored at shallow depths for mineral sands and coal, but the only previous investigation of the basement was widely spaced drilling in 1994, which was aimed at testing a different exploration concept.

Austpac is undertaking a low-key investigation of the gold and base metal potential within its wholly owned Exploration Licence 5291 near Nhill in western Victoria. Activities are focussed on a NNW-trending belt of Cambrian rocks known as the Mount Staveley Volcanic Complex, which are characterised by very strong features in government aeromagnetic and gravity data. This part of Victoria has only recently received attention following positive studies by Geoscience Victoria and the national agency, Geoscience Australia. Several resource companies are also enthusiastic about the mineral potential of this belt, and one is finalising an Initial Public Offering to evaluate targets in western Victoria. The Mount Staveley units have been considered to be the equivalent to the well-mineralised Mount Read Volcanics of western Tasmania, while an alternative interpretation considers these rocks to be associated with an ancient tectonic boundary analogous to the Macquarie Arc in NSW, which hosts large porphyry copper deposits such as Cadia Ridgeway. This interpretation is supported by recent exploration which has identified a number of porphyry style prospects with encouraging anomalous mineralisation within the Mount Staveley Volcanics.

Austpac's previous work within EL 5291 included a broad gravity survey and a detailed ground magnetic survey to outline anomalies that could represent permissive geology for base metal mineralisation below a thick blanket of younger sediments. In May 2013, three rotary holes were drilled to test low-amplitude magnetic anomalies. Each hole passed through 120m of sediments before intersecting the weathered top of Cambrian basement, which while not geochemically anomalous, were altered and veined intrusive rocks.

In the period to 31 December 2013, Austpac completed a low cost vertical air core drillhole to test the edge of a circular low magnetic anomaly in the Cambrian basement. Samples recovered from the base of the drillhole at 144m depth were extremely oxidised and hence not geochemically anomalous, but petrology indicated they are intensely altered mafic volcanics, representing a component of the target Mount Staveley Volcanic Complex. Two hydrothermal alteration events were identified; an early higher temperature phase introducing magnetite, and a later lower temperature epidote-quartz-chlorite assemblage which resulted in magnetite destruction. The basement at this site is more pervasively altered than the basement samples from the three earlier holes, which suggests the fourth hole may be closer to the centre of hydrothermal alteration.

Mining Exploration Entities

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

Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half-year ended 31 December 2013.

Austpac Resources N.L. and its controlled entities

Subsequent Events

Subsequent to 31 December 2013, there has not arisen in the interval between 31 December 2013 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the consolidated entity in future financial years.

Signed in accordance with a Resolution of the Directors on 28 February 2014.



M.J. Turbott
Managing Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Austpac Resources N.L.

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013, there have been:

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

KPMG

KPMG

Anthony Jones
Partner

Sydney

28 February 2014

Austpac Resources N.L. and its controlled entities

Condensed consolidated statement of comprehensive income For the half-year ended 31 December 2013

	Note	6 months ending 31 Dec 2013 \$	6 months ending 31 Dec 2012 \$
Profit on sale of EL4521		-	6,399,138
Administrative expenses		(2,031,768)	(1,841,004)
Results from operating activities		<u>(2,031,768)</u>	<u>4,558,134</u>
Finance income		17,559	36,284
Finance expenses		(16,042)	(15,912)
Net financing income		<u>1,517</u>	<u>20,372</u>
Profit/(loss) before tax		(2,030,251)	4,578,506
Income tax benefit		-	-
Net profit / (loss) for the period		<u>(2,030,251)</u>	<u>4,578,506</u>
Other comprehensive income for the period net of income tax		-	-
Total comprehensive profit/ (loss) for the period		<u>(2,030,251)</u>	<u>4,578,506</u>
Basic and diluted profit/(loss) per share			
Cents		<u>(0.17)</u>	<u>0.39</u>

The condensed consolidated statement of comprehensive income is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 10 to 11.

Austpac Resources N.L. and its controlled entities

Condensed consolidated statement of changes in equity For the half-year ended 31 December 2013

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2012	78,756,554	(51,241,709)	27,514,845
Profit for the period	-	4,578,506	4,578,506
Other comprehensive profit for the period	-	-	-
Issue of ordinary shares	2,906,000	-	2,906,000
Balance at 31 December 2012	81,662,554	(46,663,203)	34,999,351
Balance at 1 July 2013	81,662,554	(47,517,177)	34,145,377
Profit/ (loss) for the period	-	(2,030,251)	(2,030,251)
Other comprehensive income for the period	-	-	-
Issue of ordinary shares	2,150,000	-	2,150,000
Balance at 31 December 2013	83,812,554	(49,547,428)	34,265,126

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 10 to 11.

Austpac Resources N.L. and its controlled entities

Condensed consolidated statement of financial position As at 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
Current Assets			
Cash and cash equivalents		715,909	2,726,781
Trade and other receivables		817,175	1,400,477
Total Current Assets		<u>1,533,084</u>	<u>4,127,258</u>
Non-Current Assets			
Property, plant and equipment		369,042	361,625
Intangible assets		34,051,018	32,346,679
Total Non-Current Assets		<u>34,420,060</u>	<u>32,708,304</u>
Total Assets		<u>35,953,144</u>	<u>36,835,562</u>
Current Liabilities			
Trade and other payables		280,546	1,250,761
Interest-bearing loans and borrowings		67,893	71,520
Employee benefits		1,035,594	1,074,963
Total Current Liabilities		<u>1,384,033</u>	<u>2,397,244</u>
Non-Current Liabilities			
Interest-bearing loans and borrowings		303,985	292,941
Total Non-Current Liabilities		<u>303,985</u>	<u>292,941</u>
Total Liabilities		<u>1,688,018</u>	<u>2,690,185</u>
Net Assets		<u>34,265,126</u>	<u>34,145,377</u>
Equity			
Issued capital	7	83,812,554	81,662,554
Accumulated losses		(49,547,428)	(47,517,177)
Total equity attributable to equity holders of the parent		<u>34,265,126</u>	<u>34,145,377</u>

The condensed consolidated statement of financial position is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on page 10 to 11.

Austpac Resources N.L. and its controlled entities

Condensed consolidated statement of cash flows For the half-year ended 31 December 2013

	Note	Six months ending 31 Dec 2013 \$	Six months ending 31 Dec 2012 \$
Cash flows from Operating Activities			
Cash paid to suppliers and employees		(3,076,597)	(2,195,154)
Interest received		17,559	36,284
Interest paid		(16,042)	(15,912)
Income tax refund received		577,274	344,581
Net cash (used in) operating activities		(2,497,806)	(1,830,201)
Cash flows from investing activities			
Proceeds from sale EL4521		-	7,500,000
Payments for mineral technology development/exploration and evaluation		(1,626,425)	(1,650,847)
Net cash (used in) / provided by investing activities		(1,626,425)	5,849,153
Cash flows from financing activities			
Proceeds from the issue of share capital		2,150,000	2,833,500
Payment of finance lease liabilities		(36,641)	(36,510)
Net cash (used in) / provided by financing activities		2,113,359	2,796,990
Net increase/(decrease) in cash held		(2,010,872)	6,815,942
Cash and cash equivalents at 1 July		2,726,781	240,189
Cash and cash equivalents at 31 December		715,909	7,056,131

The condensed consolidated statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 10 to 11.

Austpac Resources N.L. and its controlled entities

Condensed notes to the consolidated interim financial report

1. Reporting Entity

Austpac Resources N.L. (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2013 comprises the Company and its subsidiaries (the “consolidated entity”).

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2013 is available upon request from the Company’s registered office.

2. Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2013.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2014.

3. Significant Accounting Policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2013.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2013.

5. Going Concern

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

Without the commercialisation of mineral technologies, equity raisings or 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.

Austpac Resources N.L. and its controlled entities

Condensed notes to the consolidated interim financial report

6. Segment Reporting

The Company operates in one segment only, being Mineral Sands and Mineral Sands Technology Development in Australia.

7. Capital and Reserves

Dividends

No dividends were declared or paid by the consolidated entity during the period (2012:nil).

In November 2013, Austpac completed a placement of 71,666,666 fully paid ordinary shares at 3 cents each to raise \$2,150,000 for the continuing development of the Newcastle Iron Recovery Plant and for working capital.

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. There are no partly paid listed shares.

Partly Paid Shares

Holders of Austpac Resources N.L. Employee Share Purchase plan shares are entitled to the same rights as ordinary shareholders, including entitlements to dividends if declared, once the shares are paid in full. The amount of unpaid capital is \$7,537,623 (June 2013: \$7,537,623). In the event of winding up, ordinary shareholders rank after creditors.

8. Events subsequent to balance date

Subsequent to 31 December 2013, there has not arisen in the interval between 31 December 2013 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the consolidated entity in future financial years.

9. Contingent Liabilities

There has been no significant change in the consolidated entity's contingent liabilities as set out in the annual financial report to 30 June 2013.

10. Financial Risk Management

Aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2013.

Austpac Resources N.L. and its controlled entities Directors' Declaration

In the opinion of the directors of Austpac Resources N.L. ("the Company"):

- (a) the financial statements and notes, set out on pages 6 to 11, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2013 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this twenty eighth day of February 2014.

Signed in accordance with a resolution of the directors:



Michael J. Turbott
Managing Director



Independent auditor's review report to the members of Austpac Resources N.L.

Report on the financial report

We have reviewed the accompanying half year financial report of Austpac Resources N.L., which comprises the condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, notes 1 to 10 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 half year's end or from time to time during the half year period.

Directors' responsibility for the half year financial report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Austpac Resources N.L., ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Austpac Resources N.L. is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half year period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty regarding continuation as going concern

Without qualifying our conclusion, we draw attention to note 5 in the half year financial report. This indicates that the half year financial report has been prepared on a going concern basis which assumes the continuity of normal business activities, realisation of assets and the settlement of liabilities in the ordinary course of business. In note 5, the directors state why they consider the going concern basis used in the preparation of the financial report is appropriate as they consider that the commercialisation of mineral technologies, equity raisings or joint venturing will fund future operations. The matters set out in note 5 indicate a material uncertainty as to whether the consolidated entity will be able to continue as a going concern.

KPMG

KPMG

Anthony Jones
Partner

Sydney

28 February 2014