AUSTPAC RESOURCES N.L.
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11 October 2018

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

Dear Sir/Madam

RE: AUSTPAC RESOURCES N.L.
AUDITED STATUTORY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

We are pleased to provide audited financial statements for the year ended 30 June 2018.

Yours faithfully

N.J. Gaston
Company Secretary

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Austpac Resources N.L. Financial Statements
30 June 2018

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 2018 and the auditor's report thereon.

Directors

The directors of the company at any time during or since the end of the financial year are:

TERRY CUTHBERTSON ACA **Chairman**
Age 68

Mr Cuthbertson is currently Chairman of Australian Whisky Holdings Limited, MyNetFone Ltd, South American Iron & Steel Ltd, Malachite Resources Ltd, Mint Payments Ltd and a Director of Isentric Ltd. He was previously Group Finance Director for Tech Pacific Holdings Pty Ltd which generated over $2 billion in revenues from operations throughout the Asia-Pacific Region. From 1986 to 1995 he was a Senior Partner of KPMG, specialising in strategic and corporate advice to major corporations. Mr Cuthbertson brings extensive international corporate experience to Austpac including a practical operating knowledge of business practices and structures in India, China and Southeast Asia.

Mr Cuthbertson was appointed a Director of Austpac Resources N.L. on 27 March 2001 and Chairman of Austpac Resources N.L. on 31 May 2004.

MICHAEL J. TURBOTT BSc (Hons), FAusIMM, FAIG **Managing Director**
Age 74

Mr Turbott was formerly a Director and Vice President of Kennecott Explorations (Australia) Ltd, and was in charge of the exploration programs that led to the discovery of the Lihir gold deposit in Papua New Guinea and to the acquisition and initial development of the Gordonstone (Kestrel) coal mine in the Bowen Basin, Queensland. His 47 years' experience in the mining industry has encompassed a wide variety of exploration and development projects in Australia, New Zealand, Papua New Guinea, Indonesia, Philippines, Canada and the USA.

Mr Turbott has been the Managing Director of Austpac Resources N.L. since its formation as an epithermal gold explorer in 1985. In 1988 Austpac became involved in the Westport ilmenite sand deposits in New Zealand. This led to the development of Austpac's proprietary ERMS roasting process to separate refractory ilmenite and, subsequently, to the EARS acid regeneration process. Under Mr Turbott's direction, since the mid 1990s Austpac has focused on its mineral sand technologies and has developed the ERMS SR process to produce very high grade synthetic rutile and a valuable iron co-product from ilmenite, a process to recover iron and hydrochloric acid from iron oxides and spent pickle liquor which are wastes produced by steel mills, a process to recover zinc and iron from Electric Arc Furnace dust, a continuous leaching process and specialist know-how in low temperature roasting and in the treatment of iron minerals.

COLIN ILES **Non-Executive Director**
Age 57

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.

ROBERT J. HARRISON FAICD **Non-Executive Director**
Age 79

Mr Harrison retired as a Director of Austpac Resources NL on 31 October 2017.

Company Secretary
Mr Gaston is a Chartered Secretary with 45 years listed public company experience including Lend Lease Corporation, Peko Wallsend Limited and American Metals Climax (AMAX).

Officers who were previously partners of the audit firm
Officers who were previously partners of the current audit firm KPMG, at the time when KPMG undertook an audit of the company – T. Cuthbertson who retired from KPMG in 1995.

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	–	9,666,667
Michael J. Turbott	16,867,785	3,283,333
Colin Iles	–	–

Directors' Meetings

The number of meetings held and attended by each of the directors of the company during the financial year are:

			Audit Committee		Remuneration Committee	
	Board Meetings attended	**Board Meetings held during the time the director held office**	**Meetings attended**	**Meetings Held**	**Meetings attended**	**Meetings Held**
Terry Cuthbertson	12	12	2	2	1	1
Michael J. Turbott	12	12	2 *	2	1*	1
Colin Iles	12	12	2	2	1	1
Robert J. Harrison	4	4	1	2	-	1

* Attended by invitation

Principal Activities

The principal activity of the consolidated entity is the development of mineral processing technology and exploration and development of mineral sands deposits and gold deposits.

Review and Results of Operations

Operating and Financial Review

This report should be read in conjunction with the Chairman's Review, the Directors Report on Operations Pictorial, and Exploration Report in the front section of the 2018 Annual Report.

Operations

NEWCASTLE ZINC & IRON RECOVERY PLANT

The Newcastle Zinc & Iron Recovery Plant concept was conceived in 2015, when the possibility of recycling dusts generated by steel industry furnaces was recognised following preliminary testwork at Austpac's facility on Kooragang Island. There are two sources for these dusts. The dusts emitted by blast furnaces (BF) and basic oxygen furnaces (BOF) used for primary steel-making predominantly contain iron oxide with low levels of contaminants, including zinc. The iron scrap used by electric arc furnaces (EAF) in secondary steel-making generally contains other metals, including high levels of zinc derived from galvanised iron. EAF dust (EAFD) can contain as much as 40% Zn which occurs as zinc oxides and other zinc minerals.

Austpac's EARS process regenerates hydrochloric acid (HCl) and iron oxide from iron chloride solutions. The testwork had shown that by combining these dusts with iron chloride-rich spent pickle liquor (SPL) generated by the steel industry, marketable iron pellets with very low levels of contaminants could be produced, together with strong HCl. Zinc and other volatile metal contaminants were removed during the second fluid bed reduction stage and captured as oxides. However, the oxides were contaminated with carbon and other impurities and were unmarketable.

In 2015, Austpac decided to replace its proposed two-stage fluid bed iron reduction oxide process with a single fluid bed stage to produce partially reduced iron pellets which can be converted to pig iron in an electric induction furnace (EIF). EIF's have been used in iron foundries for over 100 years and are well proven. Pig iron is a higher value product compared with the briquetted iron previously contemplated using two-stage fluid bed reduction. Any volatile metal components such as zinc are contained in the partially reduced iron pellet. In an EIF, these components are fume out of the iron melt and are removed with the furnace exit gases and captured in a baghouse.

The ability to recover pig iron, strong HCl and zinc oxide from zinc-contaminated dusts from the steel industry is unique. Accordingly, in November 2016 Austpac lodged a patent application entitled "Processing of Zinc-Containing Waste Materials" to protect this new recycling process.

In October 2016, Austpac's management and technical team was augmented by Colin Iles, who joined the Company as a consultant. Colin 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 and is an expert in international metals sourcing and trading. Since October he has been closely involved in planning the commercialisation of the NZIRP and in March 2017, he was appointed a non-executive director of the Company.
The team recognised that it would be necessary to demonstrate that Austpac's innovative and zinc recovery process could produce marketable pig iron and zinc oxide. A testwork program using larger pilot scale equipment plant at Newcastle commenced in late March 2017. This included upgrading and recommissioning some existing equipment, the fabrication of a larger fluid bed roaster and reconfiguring the raw material preparation and delivery systems. This program will culminate with the production of at least 5 tonnes of reduced iron pellets for testing in a commercial foundry. A series of furnace melts at the foundry will produce pig iron while zinc will be captured as an oxide from the furnace gases. This will prove the process and provide samples to establish the marketability of the products.

Austpac's process (patent pending) to recover iron, zinc oxide and hydrochloric acid from contaminated furnace dusts and spent pickle liquor from the steel industry comprises four stages; fluid bed evaporation/pelletisation (EVAP), fluid bed pyrohydrolysis (PYRO), fluid bed pre-reduction (FBPR) and an electric induction furnace (EIF).

Since April 2017, the test program has progressed well and by August 2017 had achieved the first milestone; commissioning of Stage 1 of the test plant, the EVAP unit. This included the following achievements:

> An east coast-based Australian steelmaker agreed to supply sufficient raw materials to support Austpac's testwork program at Newcastle. The steel furnace dust selected contains iron oxides and some zinc minerals, and the SPL is from the steelmaker's pickling lines. In early August 2017, ten tonnes of furnace dust and four tonnes of SPL were delivered to the NZIRP site where they are stored in separate bunded areas until processing is complete.
>
> The furnace dust contains agglomerated particles which are mixed with fine coal and then transferred to a receival hopper in the existing solids preparation area. The equipment, which was commissioned in 2013, was re-tested in June 2017 and the following month a number of modifications were made to ensure trouble-free operations of the solids delivery system. The solids are mixed with water in the ball mill and ground to a fine slurry This is pumped from the discharge tank via the ring main to a holding tank adjacent to the Fluid Bed Evaporator (EVAP) in the adjacent process tower.
>
> The existing EVAP unit required extensive reconditioning. A new plenum for the fluid bed and a new off-gas stack was installed. The gas burner, the blowers and fans and the off-gas scrubber were recommissioned and modified as required. Refurbishment and installation work on the EVAP unit was completed by late July 2017.
>
> Cold commissioning of the solids feed preparation area commenced in August 2017 and a number of modifications and adjustments were made, and the SPL pumps and delivery lines to the EVAP unit were installed. This was followed later in the month by hot commissioning of EVAP fluid bed and culminated in the operation of the complete Stage 1 unit and the production of optimally-sized mixed chloride-oxide pellets.

The testwork program commenced with the critical first process stage, Evaporation. In Stage 1, furnace dusts are slurried with water and fed together with SPL into the EVAP unit to produce solid mixed iron chloride / iron & zinc oxide pellets. During the past and current quarters, operations have proceeded on a campaign basis and ideally-sized mixed oxide-chloride pellets have been produced. Each campaign has identified areas for improvement (e.g. upgrading of the slurry and SPL feed and the oxide-chloride pellet discharge systems, replacement pumps, etc.) so that the EVAP unit can reach steady state operations at ~100kg/hour, which is well above original design capacity. To date 500kg of oxide-chloride pellets have been produced and a further 500kg will be produced for downstream processing.

The original plan for Stages 2 (PYRO) and 3 (FBPR) involved the fabrication, installation and commissioning of a new fluid bed roaster, as it was planned produce 5 tonnes of reduced iron pellets for the Stage 4 melt tests. Following a review of the time and cost involved to commence operations with the new roaster, it has been decided to modify and recommission the old reduction roaster used in 2007-08. The plan now is to produce 500kg of reduced iron/zinc oxide pellets for Stage 4, which will be sufficient to produce samples of pig iron and zinc oxide for market evaluation. This activity will commence as soon as funds are available.

Discussions and negotiations have advanced with Australian and international steel producers and are well-advanced with one group. These include;

- An Australian steelmaker which has closely followed the testwork program since its inception.
- South Africa – during a visit, Colin Iles established there is a strong focus on by-product treatment and recycling steel mills are seeking ways to reuse their furnace dusts and he identified some immediate opportunities. A number of mills have been contacted and information exchange has commenced with one organisation.
- USA – Colin Iles also visited one EAF steel mill that produces zinc-contaminated furnace dusts that are an expensive disposal problem. The mill is interested in ZIRP technology and envisages that a plant built to process the steel mill dusts from the region would be attractive. Austpac plans to keep this group abreast of the testwork program and to commence commercial discussions once the program has been completed.
- China – the chief executive of a large integrated steel mill recently visited Austpac in Sydney for discussions regarding the implementation of ZIRP technology both in Australia and in China. This is a new development that will be reviewed by the board of the steel company.

OPPORTUNITIES IN THE USA

The US steel industry produces 87 million tonnes of steel, over 60% of which comes from EAFs. These generate large volumes of EAFD and creates an opportunity for Austpac to use the zinc-iron HCl recovery process to access this lucrative market. The technology presently used in North America produces a medium value upgraded zinc oxide product and a low value iron oxide used in cement. Austpac's process produces high value zinc oxide and pig iron, and also uses waste SPL to produce a third product, HCl.

The testwork and marketing program underway at Newcastle will assist the creation of opportunities to commercialise the Company's technology in the USA.

EL 5291 Nhill

In 2017, assisted by a grant from the Victorian Government, Austpac tested a gravity and magnetic anomaly by drilling the first core hole in the Nhill-Dimboola belt. The hole passed through Murray Basin sediments before intersecting the basement at 249m and obtaining 76m of diamond core. The basement consists of primarily increasingly strongly to intensely altered basaltic volcanics, with sulphide mineralisation deposited in fractures, along breccia boundaries and in voids. Pyrite is predominant but is often accompanied by significant sphalerite (Zn), minor finely disseminated chalcopyrite (Cu) and anomalous gold. Intercepts included 0.5m (308.0-308.5) containing 3.60% Zn and 0.44g/t Au, and 0.5m at the end of the hole containing 1.20% Zn and 0.2g/t Au.

In late June 2018, Austpac attended a conference hosted by the Geological Survey of Victoria, in conjunction with Geoscience Australia, which presented the results of joint work undertaken by the two groups to encourage exploration in the newly-defined Stavely Arc. This is a Cambrian-aged north-west trending island arc is buried beneath younger Murray Basin sediments. GeoVic and GA consider the Stavely Arc is prospective for volcanic-hosted massive sulphide and porphyry copper deposits, and Austpac's discovery at Nhill is the first evidence of this potential.

The conference also included a half day visit to the GeoVic core storage facility, where the core of the GeoVic/GA stratigraphic drill holes was displayed, along with core from mineralised systems over 100kn south-east of EL 5291. The mineralised core from Austpac's GG-01 hole was also on display, which created considerable interest from exploration companies, including discussion whether the mineralisation is related to a massive sulphide or a porphyry source. Austpac's recent analyses of sulphur isotopes in the mineralisation from GG-01 indicate a volcanic-hosted massive sulphide origin is more likely.

Since the conference, one company has signed a confidentiality agreement with a view to an exploration joint venture and discussions will continue with other groups regarding ongoing exploration at EL 5291, Nhill.

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.

Following the completion of construction and commissioning of the Newcastle Iron Recovery Plant, Austpac will progress with technology licenses to the steel and related industries for use of the technologies utilised at the Newcastle plant.

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.

The exploration division has historically generated cash flow to enable funding the construction of the Newcastle Plant. This low cost division has contributed to the longevity of the company through risk diversification.

Financial Position – Financial Performance

Austpac Resources N.L. reported a loss for the year ending 30 June 2018 of $26,935,454 (2017: $9,091,040 loss).

The consolidated entity has a net current asset deficiency of $1,019,802 at 30 June 2018 (2017 net current asset surplus: $218,849).

Financial Forecast

As at 30 June 2018 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 in line with financial forecasts.

Dividends

No dividends were paid or declared by the company during the year. The directors do not recommend the payment of a dividend.

State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year which are not disclosed in the Annual Report.

Subsequent Events

Since the end of the financial year ending 30 June 2018, Austpac Resources NL announced the placement of 90,000,000 fully paid ordinary Austpac Resources NL shares of $0.002 each to Australian investors to raise $180,000. The shares were issued prior to 30 June 2018 and an amount of $150,000 was outstanding and recorded in Other Receivables as at 30 June 2018. As at the date of signing this report, $145,000 remains outstanding to be received.

An amount of $225,500 is recorded within Other Receivables and remains outstanding to be received as at 30 June 2018 relating to the 30,000,000 ordinary shares issued in January 2018. As at the date of signing this report $225,500 of the outstanding Other Receivables has been receipted.

On 4 July 2018 the final 128,000 Bergen converting notes with a face value of $1 per note were converted to shares. 128,000,000 shares were issued to Bergen at $0.001 each for a total value of $128,000. The agreement was terminated by mutual consent on 17 July 2018 prior to receipt of the remaining $400,000 stipulated in the amended agreement.

On 3 October 2018 the company has received $200,000 in accordance with a loan agreement entered into with Terry Cuthberston (Chairman). The loan is unsecured and with a repayment period of 13 months from 3 October 2018. When due for repayment, the loan may be repaid in cash or converted to shares at the discretion of the lender, with 5% p.a. interest payable on the completion of the loan period. The $200,000 funds associated with this loan have been received by Austpac at the date of this report.

Directors' Report (continued)

Likely Developments

Except as described elsewhere in this Annual Report, further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The consolidated entity's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its technology development.

The directors are not aware of any breach during the period covered by this report.

Options

During or since the end of the financial year no options have been granted by the company and there are no outstanding options on issue at the date of this report.

Indemnification and Insurance of officers and auditors

The company does not have a Directors' and Officers' insurance against liability which may arise from holding the position of Director or Officer.

The company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the company or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Remuneration Report (audited)

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The Board remuneration policy is to ensure the remuneration package properly reflects the duties and responsibilities of the director. The Remuneration Committee ascertains non-executive Director remuneration and also staff remuneration which are separate and distinct. Remuneration is set by the Board of Directors. The company has a remuneration policy aimed at retention of key technical staff to ensure the progression and commercialisation of the company's technologies.

The company is managed by the Managing Director, supported by the Board of Directors. The company does not have senior executive staff. The company has no employees that are specified executives.

Executive Directors are solely remunerated by fixed remuneration packages, including 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.

Non-executive director remuneration
The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors, whilst incurring a cost which is acceptable to shareholders.

Structure
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 22 November 2007 when shareholders approved an aggregate remuneration of $150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually.

Each non-executive director either receives a fee for being a director of the company and, if other services are provided, under a consultancy agreement. An additional fee may be payable for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

Non-executive directors have long been encouraged by the Board to hold shares in the company (purchased by the director on market or issued in lieu of fees at a market price). It is considered good governance for directors to have a stake in the company. The non-executive directors of the company can participate in the Employee Share Purchase Plan.

Consequences of performance on shareholder wealth.

	2018	2017	2016	2015	2014	2013	2012
Profit (loss) attributable to owners of the Company	(26,935,454)	(9,091,040)	976,321	(843,257)	(3,286,662)	3,724,532	2,843,549
Share price ($) as at 30 June	0.001	0.006	0.005	0.01	0.02	0.01	0.03

The overall level of compensation does not take into consideration the profit and/or share price. The overall level of compensation has remained at the same level since 2007 and Austpac Resources N.L. will re-evaluate the level of compensation when the mineral technologies have been commercialised.

Executive director remuneration
The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company.

Remuneration consists of fixed remuneration only, and as such does not vary with the company's performance.

Fixed Remuneration

Objective
Remuneration is set by the Board of Directors and compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced personnel. Remuneration levels reflect a cost containment programme implemented in March 2018.

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.

Details of the nature and amount of each major element of the emoluments of each director of the company for the year ending 30 June 2018 are:

Directors	Year	Short Term			Other long term (ii)	Post Employment Superannuation Contributions	Total
		Salary	Consulting Fees	Non-Monetary Benefits			
M.J Turbott	**2018**	53,994	-	138,297	15,721	33,426	241,438
	2017	188,979	-	134,399	27,122	35,000	385,500
T Cuthbertson	**2018**	52,500	26,250	-	-	-	78,750
	2017	70,000	35,000	-	-	-	105,000
R Harrison (i)	**2018**	16,667	11,667	-	-	-	28,334
	2017	50,000	35,000	-	-	-	85,000
C Iles	**2018**	37,500	26,250	-	-	-	63,750
	2017	15,000	10,500	-	-	-	25,500
Total	**2018**	160,661	64,167	138,297	15,721	33,426	412,272
	2017	323,979	80,500	134,399	27,122	35,000	601,000

i. R Harrison resigned as Non-executive Director effective 31 October 2017.

ii. In accordance with AASB 119 Employee Benefits, annual leave is classified as another long-term employee benefit. Other long term benefits also include Long Service Leave accrued.

Key management personnel receive additional benefits as non-cash benefits, as part of the terms and conditions of their appointment relating to motor vehicle leases, and insurance paid for the Managing Director. Consultancy fees relate to additional services provided by Messrs Cuthbertson, Harrison and Iles for professional time in excess of normal Director duties.

Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced personnel. Remuneration levels reflect a cost containment programme implemented in March 2018.

As at 30 June 2018 $64,000 ($69,750 at 30 June 2017) is outstanding to Directors for salaries and consulting fees and included in the remuneration table above.

Notsag Pty Limited, a company which provides corporate, financial, underwriting and guarantee services, employs Mr N. Gaston and provides his services as company secretary. Notsag Pty Limited received fees of $109,200 during the financial year ended 30 June 2018 $236,600 - 2017)

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 2018.

-End of remuneration report-

Signed at Sydney this eleventh day of October 2018 in accordance with a resolution of the Board of Directors of Austpac Resources N.L.

T. Cuthbertson
Chairman

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 audit of Austpac Resources N.L. for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contravention of any applicable code of professional conduct in relation to the audit.

KPMG

Daniel Camilleri
Partner

Sydney
11 October 2018

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 Managing Director. Standing agenda items include the Managing Directors report, financial report and project activity reports together with governance and compliance issues. Board papers are circulated in advance.

The monthly board papers include monthly and year to date financial reports for all projects and corporate expenditure. A monthly revised forecast for the financial year is presented at each Board Meeting and compared against approved budgets.

Twelve monthly budgets are submitted for the forthcoming financial year, three months in advance and reviewed three times for refinement and ultimate approval.

Three year and five year plans are maintained and revised in accordance with requirements and financial capability of the consolidated entity.

Composition of the Board

At the date of this report, the Board of Directors comprises a non-executive independent chairman, two independent Directors and the Managing Director.

The members of the Board of Directors appear on page 1 of the Directors' Report with brief resumes and profiles. The Board elects Directors on the basis of Corporate requirements and project activity. High calibre independents with substantial experience at senior levels are sought when required. Directors are considered independent if they meet the following independent Directors standard:

- Is not a substantial shareholder of Austpac Resources N.L.;
- Has not within the last 3 years been employed in a senior capacity by Austpac Resources N.L. or been a director after ceasing to hold any such employment;
- Is not a principal or employee of a professional advisor to Austpac Resources N.L.;
- Is not a material supplier or customer of Austpac Resources N.L. or an officer of or directly or indirectly associated with a significant supplier or customer;
- Has no material contractual relationship with Austpac Resources N.L. or any of its associates other than as a director of Austpac Resources N.L.;
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of Austpac Resources N.L. and independently of management; and
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Austpac Resources N.L.

In this context the Board considers material, any director-related business relationship that is or is likely in the future to be more than 10 per cent of the director-related business's revenue.

All directors are expected to act in the best interests of Austpac Resources N.L.

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

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

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

The external auditors, the Managing Director and Company Secretary, are invited to Audit Committee meetings. The Committee meets at least twice a year.

The responsibilities of the Audit Committee include:

- reviewing the financial report and other financial information distributed externally;
- monitoring corporate risk assessment processes;
- reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- reviewing the nomination and performance of the auditor. The external auditors were appointed in 1985. The lead external audit engagement partner was last rotated in 2015;
- liasing 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 Managing Director and Company Secretary/Chief Financial Officer have declared in writing to the Board that Austpac Resources N.L. Financial Report for the year ended 30 June 2018 presents fairly, in all material respects, Austpac Resources N.L. financial condition and operational results and is in accordance with applicable Accounting Standards. The Committee has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the Committee's scope of responsibility. The Committee has a documented charter which incorporates the ASX Best Practice Guidelines.

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

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

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

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

The external auditor provides an annual declaration of independence as required by the *Corporations Act 200*1, 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 Managing Director and the Company Secretary/Chief Financial Officer have declared, in writing to the Board that Austpac Resources N.L.'s financial reporting, risk management and associated compliance and controls have been assessed and are operating efficiently and effectively.

During each Audit Committee meeting the Audit Committee reports to the Board on the status of risks through integrated risk management programmes aimed at ensuring all risks are identified, assessed and appropriately managed.

Risk Profile
In order to identify the material risks facing Austpac Resources N.L. and prioritise the actions necessary to mitigate these risks, an annual risk review is undertaken to identify, assess, monitor and manage the financial, operational and strategic risks.

Risk management and compliance and control
A robust risk management framework coupled with thorough internal reporting processes and highly qualified, competent and reliable staff provides Austpac Resources N.L. with a solid platform from which Austpac Resources N.L. manages the main areas of risk impacting the business.

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

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

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

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

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

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

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

REMUNERATION COMMITTEE

The Remuneration Committee meets in January each year or more frequently if Cost Containment programs are to be implemented. The members of the Remuneration Committee are:

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

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

The Remuneration Committee assists the Board in ensuring that Austpac Resources N.L.'s remuneration levels are appropriate in the markets in which it operates and are applied fairly to attract and retain appropriately qualified and experienced directors and senior staff. The Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies.

The Committee also has the responsibility to review and approve, on behalf of the Board, recommendations for annual staff remuneration made by Management and review and recommend to the Board:

- proposals for changes to remuneration policies and human resources issues which are referred to the Board by the Managing Director;
- remuneration recommendations relating to the Chairman, Non-Executive Directors, the Managing Director and senior Management, including incentive policies for the Managing Director and 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.

AUSTPAC RESOURCES N.L. AND ITS CONTROLLED ENTITIES

	NOTE	CONSOLIDATED 2018 $	2017 $
Administrative expenses		(1,834,914)	(2,106,011)
Results from operating activities		(1,834,914)	(2,106,011)
Financial income		2,056	4,106
Financial expenses		(298,938)	(13,721)
Net financing income / (expense)	2	(296,882)	(9,615)
Impairment	12	(24,803,658)	(8,912,262)
(Loss) attributable to owners of company before tax		(26,935,454)	(11,027,888)
Income tax benefit	5	-	1,936,848
(Loss)/Profit attributable to owners of company after tax		(26,935,454)	(9,091,040)
Other comprehensive income for the period, net of income tax			-
Total comprehensive income for the period attributable to owners of company		(26,935,454)	(9,091,040)
		Cents	Cents
Basic (Loss)/ earnings per share (cents)	7	(1.68)	(0.6)
Diluted (Loss)/ earnings per share (cents)	7	(1.68)	(0.6)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 20-41.

AUSTPAC RESOURCES N.L. AND ITS CONTROLLED ENTITIES

	CONSOLIDATED		
	Share Capital	Accumulated Losses	Total Equity
	$	$	$
Balance at 1 July 2016	86,063,392	(50,670,775)	35,392,617
Profit/ (loss) attributable to owners of company	-	(9,091,040)	(9,091,040)
Other comprehensive income for period attributable to owners of company	-	-	-
Shares issued (net of underwriting costs)	440,000	-	440,000
Balance at 30 June 2017	86,503,392	(59,761,815)	26,741,577
Balance at 1 July 2017	86,503,392	(59,761,815)	26,741,577
Profit/ (loss) attributable to owners of company	-	(26,935,454)	(26,935,454)
Other comprehensive income for period attributable to owners of company	-	-	-
Shares issued (net of underwriting costs)	1,239,685	-	1,239,685
Balance at 30 June 2018	87,743,077	(86,697,269)	1,045,808

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements as set out on pages 20-41.

AUSTPAC RESOURCES N.L. AND ITS CONTROLLED ENTITIES

	NOTE	CONSOLIDATED	
		2018	2017
		$	$
Assets			
Cash and cash equivalents	8	29,155	494,440
Other receivables	9	460,997	691,323
Total Current Assets		490,152	1,185,763
Property, plant and equipment	11	125,823	159,301
Intangible assets	12	2,000,000	26,500,000
Total Non-Current Assets		2,125,823	26,659,301
Total Assets		2,615,975	27,845,064
Liabilities			
Trade and other payables	13	542,395	171,489
Interest Bearing Liabilities and Converting Notes	14	204,356	44,529
Employee benefits	15	763,203	750,896
Total Current liabilities		1,509,954	966,914
Interest Bearing Liabilities	14	60,213	136,573
Total Non-Current Liabilities		60,213	136,573
Total Liabilities		1,570,167	1,103,487
Net Assets		1,045,808	26,741,577
Equity			
Issued capital	16	87,743,077	86,503,392
Accumulated losses		(86,697,269)	(59,761,815)
Total equity		1,045,808	26,741,577

The Consolidated Statement of Financial Position are to be read in conjunction with the Notes to the Financial Statements set out on pages 20-41.

AUSTPAC RESOURCES N.L. AND ITS CONTROLLED ENTITIES

	NOTE	CONSOLIDATED 2018 $	2017 $
Cash Flows from Operating Activities			
Cash paid to suppliers and employees		(1,322,554)	(1,805,987)
Interest received		2,056	4,106
Interest paid		(11,053)	(13,721)
Tax refund received		430,325	1,506,523
Net cash from operating activities	21	(901,226)	(309,079)
Cash Flows from Investing Activities			
Payments for intangible assets:			
Mineral Technology Development		(303,658)	(133,230)
Proceeds from sale of property, plant & equipment		-	40,000
Net cash from investing activities		(303,658)	(93,230)
Cash Flows from Financing Activities			
Proceeds from issue of share capital		213,500	331,000
Proceeds from converting notes		593,000	-
Payment of finance lease liabilities		(66,901)	(46,802)
Net cash from financing activities		739,599	284,198
Net increase/(decrease) in cash held		(465,285)	(118,111)
Cash and cash equivalents at 1 July	8	494,440	612,551
Cash and cash equivalents at 30 June	8	29,155	494,440

Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 20-41.

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 2018 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 3, 62 Pitt Street, Sydney NSW 2000.

The financial report was authorised for issue by the directors on 11 October 2018.

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 $1,019,802 at 30 June 2018 (2017 net current asset surplus: $218,849).

The 30 June 2018 Financial Report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

The Directors believe that the consolidated entity will be able to fund future operations through the receipt of outstanding funds from existing shares issues, funding offered by potential new investors, further shares issues to existing shareholders, the successful commercialisation of mineral technologies, the sale of surplus assets or receipt of R&D tax returns. Subsequent to year end the consolidated entity has received $200,000 as a loan from a Director, Terry Cuthbertson. The loan has a 13 month term from 3 October 2018 and repayable in cash or convertible to equity at the discretion of the lender. The loan is interest bearing at 5% per annum payable on completion of the loan period. In addition, the Directors have received a commitment of $500,000 funding from an existing shareholder, and implemented cost containment measures.

Notwithstanding the $200,000 Director loan, $500,000 committed by an existing shareholder and the cost containment measures, without:

- the receipt of outstanding funds from existing share issues;
- funding offered by potential new investors;
- further share issues to existing shareholders;
- successful commercialisation of mineral technologies;
- sale of surplus assets;
- the receipt of R&D tax returns

or a combination of these events, the consolidated entity may not be able to continue as a going concern. These circumstances indicate there is a material uncertainty as to whether the consolidated entity will be able to continue as a going concern.

If the consolidated entity are unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities in order to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the 30 June Financial Report.

(D) BASIS OF CONSOLIDATION
(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

In the company's financial statements, investments in subsidiaries are carried at the lower of cost or recoverable amount.

(ii) Jointly controlled operations and assets

The interest of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iii) Transactions eliminated on consolidation

All intragroup balances and transactions, including any unrealised gains or losses are eliminated on consolidation.

(E) FOREIGN CURRENCY TRANSACTIONS

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

Significant Accounting Policies (continued)

(F) PROPERTY, PLANT AND EQUIPMENT
Owned assets

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

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

Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. The property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

* fixtures and fitting, and property, plant and equipment 7 years
* leased plant and equipment and motor vehicles 10 years

The residual value and actual lives are assessed at each reporting date.

(G) INTANGIBLE ASSETS – MINERAL TECHNOLOGY DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy 1(K)).

Amortisation

Mineral technology development assets are not currently being amortised as the policy applied by the consolidated entity is to amortise these assets on a systematic basis over projected revenue streams once commercial licence agreements have been agreed.

(H) INTANGIBLE ASSETS – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise 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.

Significant Accounting Policies (continued)

(I) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs, subsequent to initial recognition, these assets are measured at amortised cost less impairment losses (see accounting policy 1 (K)).

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash balances and call deposits.

(K) IMPAIRMENT

The carrying amounts of the consolidated entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

Recoverable amounts are estimated annually for intangible assets not yet available for use. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use.

Reversals of impairment

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

(L) EMPLOYEE BENEFITS

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

(M) PROVISIONS

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

(N) TRADE AND OTHER PAYABLES

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

(O) REVENUE

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

Significant Accounting Policies (continued)

(P) EXPENSES

Operating lease payments
Payments made under operating leases are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease.

Net financing costs

Interest income and expense is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as it accrues, using the effective interest method.

(Q) INCOME TAX

Income tax on the profit/(loss) for the years presented comprises current and deferred tax. Income tax is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date and any adjustment to tax payable in respect of previous years. Deferred assets and liabilities are recognised for temporary differences between the tax values of assets and their carrying amounts in the financial statements.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(R) DERIVATIVES

The consolidated entity is exposed to changes in interest rates and commodity prices from its activities. The consolidated entity does not hedge these risks.

(S) SEGMENT REPORTING

The consolidated entity operates in one segment only, being Mineral Sands and Mineral Sands Technology Development in Australia. The measure used by the chief operating decision maker to evaluate performance is profit/loss before tax.

(T) ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Recoverability of intangible assets
The carrying amount of intangible assets relate to mineral technology development totaling $2,000,000 (2017: $26,500,000). The consolidated entity assesses intangibles which are not being amortised annually in accordance with the accounting policy in note 1(K). The ultimate recoupment of cost carried forward are dependent upon the successful development, commercialisation or sale of the respective technology.

(U) GOODS AND SERVICES TAX

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financial activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(V) NEW STANDARDS/INTERPRETATIONS NOT YET ADOPTED

New Accounting Standards

There were no new accounting standards or interpretations adopted for the first time in these Financial Statements.

Significant Accounting Policies (continued)

New Accounting Standards and Interpretations that are not yet mandatory
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. The Consolidated Entity and the Company do not plan to adopt these standards early.

AASB 9 – *Financial Instruments*
AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carried forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 July 2018, with early adoption permitted. As the Consolidated Entity or the Company do not have hedging arrangements, this will not have a significant impact to the Consolidated Entity, the Company or their results.

AASB 15 – *Revenue from Contracts with Customers*
AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 is effective for annual reporting periods beginning on or after 1 July 2018, with early adoption permitted. The Consolidated Entity or the Company has assessed the impact of this new standard and do not consider that this will have a significant impact to the Consolidated Entity, the Company or their results.

AASB 16 – *Leases*
AASB 16 removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of a lease. In particular, companies will now recognise a front-loaded pattern of expenses for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption will be permitted for entities that also adopt AASB 15 *Revenue from Contracts with Customers.* The Consolidated Entity or the Company have not yet assessed the impact of AASB 16.

	CONSOLIDATED	
	2018 $	2017 $

Note 2: Net Financing Costs

	2018 $	2017 $
Interest income	2,056	4,106
Interest expense	(11,053)	(13,721)
Converting note finance expense	(287,885)	-
Net financing (expense)/income	(296,882)	(9,615)

Note 3: Auditor's Remuneration

	2018 $	2017 $
Audit Services –KPMG Australia –Audit and review of financial reports	93,300	96,885
	93,300	96,885

Note 4: Personnel Expenses

	2018 $	2017 $
Wages, salaries and leave entitlements taken	355,665	431,000
Contributions to defined contribution superannuation funds	64,889	104,673
Increase / (decrease) in liability for employee benefits	12,307	(74,964)
	432,861	460,709

Note 5
Income Tax Expense

	CONSOLIDATED	
	2018 $	2017 $
Recognised in the statement of comprehensive income		
Current tax (benefit)/expense		
Current period income tax (benefit)/expense	(7,865,636)	(3,037,817)
R&D Refund	-	1,936,848
Deferred tax expense		
Current year deferred tax assets not recognised	7,865,636	3,037,817
Income tax benefit in statement of comprehensive income	-	1,936,848
Numerical reconciliation between tax benefit and pre-tax net profit / loss		
(Loss) before tax	(26,935,454)	(11,027,888)
Prima facie income tax benefit / (expense)	8,080,636	3,308,366
Non-deductible expenses	(215,000)	(270,549)
R&D Refund	-	1,936,848
Current year deferred tax assets not recognised	(7,865,636)	(3,037,817)
Income tax benefit on pre-tax net profit / (loss)	-	1,936,848

Note 6
Deferred Tax Assets and Liabilities

	2018	2017
Deferred tax assets and (liabilities) are attributable to the following:		
Mineral technology development	7,441,097	(453,529)
Employee benefits	228,961	225,269
Unused tax losses	(7,670,058)	228,260
Net tax (asset)/liability	-	-
Deferred tax assets not recognised		
Deferred tax assets not recognised because it is not probable that the benefits will be utilised against future taxable profits or future capital gains comprise:		
Unused tax losses	13,977,823	6,112,187

The deductible temporary differences do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits therefrom. Included in the $13,977,823 of unused tax losses not recognised is $2,090,291 of unused capital losses.

Note 7
Earnings Per Share

The calculation of basic and diluted earnings per share at 30 June 2018 was based on the loss attributable to ordinary shareholders of $26,935,454 loss (2017: $9,091,040 loss) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2018 of 1,602,073,900 (2017: 1,513,692,397), calculated as follows:

	CONSOLIDATED	
	2018	2017
Weighted average number of shares		
Issued ordinary shares at 1 July	1,528,660,976	1,484,660,976
Effect of shares issued	73,412,924	29,031,421
Weighted average number of ordinary shares at 30 June	1,602,073,900	1,513,692,397

Earnings per share	**2018 cents**	**2017 cents**
Basic (loss)/earnings per share (cents)	(1.68)	(0.6)
Diluted (loss)/earnings per share (cents)	(1.68)	(0.6)

	CONSOLIDATED	
	2018 $	2017 $

Note 8:
Cash and Cash Equivalents

Bank balances	29,155	494,440

Note 9:
Other Receivables

Current		
Share capital receivable	375,500	109,000
Cash held on deposit	69,403	-
Other receivables	16,094	151,998
R&D receivable	-	430,325
	460,997	691,323

Note 10:
Consolidated Entities

PARTICULARS IN RELATION TO THE COMPANY AND ITS CONTROLLED ENTITIES		HOLDING 2018	HOLDING 2017
Parent Entity:	Austpac Resources N.L.		
Significant Subsidiaries:	Almeth Pty Ltd	100%	100%
	Austpac Technology Pty Ltd	100%	100%

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

Note 11:
Property, Plant and Equipment

	CONSOLIDATED		
	Plant and equipment $	Fixtures and fittings $	Total $
Cost			
Balance at 1 July 2016	1,467,165	61,926	1,529,091
Acquisitions	-	-	-
Disposals	-	-	-
Balance at 30 June 2017	1,467,165	61,926	1,529,091
Balance at 1 July 2017	1,467,165	61,926	1,529,091
Acquisitions			
Disposals			
Write down	(1,254,828)	(61,926)	(1,316,754)
Balance at 30 June 2018	212,337	-	212,337
Depreciation and impairment losses			
Balance at 1 July 2016	1,276,423	61,926	1,338,349
Depreciation for the year	31,441	-	31,441
Balance at 30 June 2017	1,307,864	61,926	1,369,790
Balance at 1 July 2017	1,307,864	61,926	1,369,790
Depreciation for the year	33,478	-	33,478
Reversal of depreciation on write down	(1,254,828)	(61,926)	(1,316,754)
Balance at 30 June 2018	86,514	-	86,514
Carrying amounts			
At 30 June 2016	190,742	-	190,742
At 30 June 2017	159,301	-	159,301
At 30 June 2017	159,301	-	159,301
At 30 June 2018	125,823		125,823

The consolidated entity leases motor vehicles under finance lease agreements. At 30 June 2018 the net carrying amount of the leased motor vehicles, classified under plant and equipment was $125,823 (2017: $159,301). The leased equipment secures lease obligations (note 18).

Note 12:
Intangible Assets

	CONSOLIDATED	
	Mineral Technology Development $	Total $
Balance at 1 July 2016	35,279,032	35,279,032
Expenditure	133,230	133,230
Impairment	(8,912,262)	(8,912,262)
Balance at 30 June 2017	26,500,000	26,500,000
Balance at 1 July 2017	26,500,000	26,500,000
Expenditure	303,658	303,658
Impairment	(24,803,658)	(24,803,658)
Balance at 30 June 2018	2,000,000	2,000,000

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. Exclusion of the remaining expected licence cash inflows, as a result of there being no committed licensing arrangements, decreased the carrying value by $20,220,000, with an additional $4,583,658 impairment of NZIRP as a result of the deferment of expected cashflows from the NZIRP being commercialised resulted in a total impairment expense of $24,803,658 during the year.

	CONSOLIDATED	
	2018	**2017**
	$	**$**

Note 13:
Trade and Other Payables

	2018 $	2017 $
Other trade payables and accrued expenses	478,395	101,739
Related party payable	64,000	69,750
	542,395	171,489

Note 14:
Interest Bearing Liabilities and Converting Notes

This note provides information about the contractual terms of the consolidated entity's loans and borrowings. For more information about the consolidated entity's exposure to interest rates, see note 23.

	2018 $	2017 $
Current Liabilities		
Finance lease liabilities	76,356	44,529
Converting note	128,000	-
	204,356	44,529
Non-Current Liabilities		
Finance lease liabilities	60,213	136,573

The consolidated entity's lease liabilities are secured by the leased assets of $125,823 per Note 11, (2017: $159,301), as in the event of a default, the assets revert to the lessor.

Unsecured Converting Notes

	Number	**Face Value**
Balance at 1 July 2017	-	-
Unsecured converting notes issued on 11 January 2018	578,000	578,000
Unsecured converting notes issued on 11 April 2018	100,000	100,000
Unsecured converting notes converted to shares during the year	(550,000)	(550,000)
Balance at 30 June 2018	128,000	128,000

Unsecured converting notes represent the outstanding balance at 30 June 2018 under an unsecured converting note facility with Bergen Global Opportunity Fund II, LLC. The fair value of the outstanding balance as at 30 June 2018 is deemed to be the face value of the unsecured converting notes outstanding as at 30 June 2018, $128,000. The fair value of the financial derivative instrument within the unsecured converting notes as at 30 June 2018 is deemed to be nil.

On 11 January 2018, the Company entered an arrangement with Bergen Global Opportunity Fund II, LLC, to obtain $1,000,000 in funding. The agreement was for the issue of two tranches of unsecured converting notes. The first tranche for 578,000 unsecured converting notes with a face value of $1 per note and the second tranche of 500,000 unsecured converting notes with a face value of $1 per note. The agreement also required the issue of 6,800,000 collateral shares and 16,498,316 commencement fee shares upon the issuance of the first tranche. The 6,800,000 of collateral shares were required to be paid by Bergen for cash consideration at the share price prevailing at the end of the agreement. The unsecured converting notes are for a variable number of Austpac shares.

At the Company's Extraordinary General Meeting held on 28 February 2018, members resolved to approve the issue of the unsecured converting notes. The first Tranche included the issue of 578,000 unsecured converting notes each with a face value of $1 per note, 6,800,000 collateral shares and 16,498,316 commencement fee shares in consideration for cash of $493,000 (net of legal fees incurred by Bergen). The 6,800,000 collateral shares were also approved at the Extraordinary General Meeting.

On 11 April 2018, the Company amended the second tranche of the agreement to provide the remaining $500,000 investment as an immediate payment of $100,000 in cash for 100,000 unsecured converting notes with a face value of $1 per note, followed by 400,000 unsecured converting notes with a face value of $1 per note in 90 days for cash of $400,000. The agreement was terminated by mutual consent on 17 July 2018 prior to receipt of the remaining $400,000.

During the year, the following share distributions occurred in respect of the arrangement:

On 12 January 2018 16,498,316 commencement fee shares were issued at 0.9 cents each for a total value of $148,485 as well as 6,800,000 collateral shares at 0.9 cents each for a total value of $61,200.

In addition the following share distributions occurred in respect of notes converted:

Date	Face value unsecured converting notes	Number of shares	Share price $
21 February 2018	$75,000	15,000,000	0.005
13 March 2018	$75,000	18,750,000	0.004
28 March 2018	$50,000	12,500,000	0.004
4 April 2018	$75,000	25,000,000	0.003
20 April 2018	$100,000	33,333,333	0.003
1 May 2018	$100,000	40,000,000	0.0025
29 May 2018	$75,000	75,000,000	0.001
Total	$550,000	219,583,333	

In aggregate, under the converting note agreement, during the year ended 30 June 2018, the company received $593,000 proceeds and issued equity to the value of $759,685.

As at 30 June 2018, 128,000 unsecured converting notes with a face value of $1 per note remain outstanding and are recognised as an unsecured converting note liability. On 4 July 2018 they were converted into 128,000,000 shares at $0.001 cents each for a total value of $128,000.

On 27 July 2018 Bergen paid $6,800 for the 6,800,000 collateral shares at $0.001 cents each for a total value of $6,800. The $6,800 of cash has been recognised as other receivables on the statement of financial position as at 30 June 2018.

The unsecured converting note financing expense of $287,885 on the arrangement has been recognised in the profit and loss for the year ended 30 June 2018 as a cost being the difference in the fair value of the cash consideration received and the fair value of the unsecured converting notes and shares issued during the year.

Debt Classification of Unsecured Converting Notes

Notwithstanding the unsecured converting notes contractual obligations include many of the obligations of equity (and converting to the Company’s shares), as the unsecured converting notes include a contractual obligation for the Company to deliver a variable number of its own shares, while there was any balance remaining on the unsecured converting notes, the Company classified them as liability in accordance with accounting standards.

Note 15:
Employee Benefits

Current		
Liability for long service leave	510,820	541,638
Liability for annual leave	252,383	209,258
	763,203	750,896

Note 16: Contributed Equity

	CONSOLIDATED	
	2018	2017
	$	$
Issued and paid up Capital		
1,815,742,625 (2017: 1,452,860,976) ordinary shares	86,950,577	85,710,892
75,800,000 (2017: 75,800,000) ordinary shares partly paid	792,500	792,500
	87,743,077	86,503,392
Movements in Ordinary Share Capital		
Balance at the beginning of the financial year	86,503,392	86,063,392
Shares Issued:		
Placement of 25,000,000 ordinary shares to Australian Investors at 1 cent each – September 2016	-	250,000
Placement of 19,000,000 ordinary shares to Australian Professional Investors at 1 cent each – March 2017	-	190,000
Placement of 30,000,000 ordinary shares to Australian Professional Investors at 1 cent each – January 2018 **(1)**	300,000	-
Placement to Bergen – collateral shares – January 2018 converting note agreement – 6,800,000 ordinary shares at 0.9 cents each	61,200	-
Placement to Bergen – commencement fee shares January 2018 converting note agreement – 16,498,316 ordinary shares at 0.9 cents each	148,485	-
February 2018. Placement to Bergen (conversion of converting notes) 15,000,000 ordinary shares at 0.5 cents each	75,000	-
March 2018. Placement to Bergen (conversion of converting notes) 18,750,000 ordinary shares at 0.4 cents each	75,000	-
March 2018. Placement to Bergen (conversion of converting notes) 12,500,000 ordinary shares at 0.4 cents each	50,000	-
April 2018. Placement to Bergen (conversion of converting notes) 33,333,333 ordinary shares at 0.3 cents each	100,000	-
April 2018. Placement to Bergen (conversion of converting notes) 25,000,000 ordinary shares at 0.3 cents each	75,000	-
May 2018. Placement to Bergen (conversion of converting notes) 40,000,000 ordinary shares at 0.25 cents each	100,000	-
May 2018. Placement to Bergen (conversion of converting notes) 75,000,000 ordinary shares at 0.1 cents each	75,000	-
Placement of 90,000,000 shares to Australian investors at 0.2 cents each – June 2018 **(2)**	180,000	-
Movement of the year	1,239,685	440,000
Balance at the end of the financial year	87,743,077	86,503,392

Share issues made during the year were to increase the working capital of the Company and to develop the Newcastle Iron Recovery Plant.

(1) As at 30 June 2018 $225,500 remained outstanding as an Other Receivable in respect of this share placement. As at 11 October 2018, nil remained outstanding in respect of this share placement.
(2) As at 30 June 2018 $150,000 remained outstanding as an Other Receivable in respect of this share placement. As at 11 October 2018, $145,000 remained outstanding in respect of this share placement.

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

Partly Paid Shares
Holders of Austpac Resources N.L. Employee Share Purchase plan shares are entitled to the same rights as ordinary shareholders, including entitlements to dividends if declared, once the shares are paid in full. The amount of unpaid capital is $4,133,483 (2017: $3,866,983). In the event of winding up, ordinary shareholders rank after creditors.

Employee Share Purchase Plan
Of the 75,800,000 Employee Share Purchase Plan shares 22,540,000 were noted as forfeited by existing holders at the November 2015 Annual General Meeting. These shares are held in trust by the Directors for re-issue.

Dividends
No dividends were declared or paid during the financial year ended 30 June 2018 or 30 June 2017.

Note 17:
Commitments

Exploration and evaluation expenditure commitments
In order to maintain current rights of tenure to exploration tenements, the company and consolidated entity are required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State Government.

These obligations are subject to renegotiation when application for mining lease is made and at other times. These obligations are not provided for in the financial report and are payable.

	CONSOLIDATED	
	2018	2017
	$	$
Less than one year	163,551	163,551
Between one and five years	15,726	179,726
	179,277	343,277

The above commitment relates to Austpac's interest in EL5291. The Company successfully renewed this licence in October 2015, expiring on 4 August 2019. The above commitments reflect the expected minimum exploration expenditure requirements under the new licence.

Note 18:
Lease Liabilities

	CONSOLIDATED					
	2018			2017		
	Minimum lease payments	**Interest**	**Principal**	**Minimum lease payments**	**Interest**	**Principal**
Within one year	76,356	9,455	66,901	44,529	11,052	33,477
Between one and five years	60,211	6,683	53,528	136,573	16,143	120,430
Total	**136,567**	**16,138**	**120,429**	**181,102**	**27,195**	**153,907**

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

Operating Leases
Leases as lessee
Non-cancelable operating lease rentals are payable as follows:

	CONSOLIDATED	
	2018	2017
	$	$
Less than one year	230,234	275,345
Between one and five years	223,544	529,505
	453,778	804,850

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

During the year ended 30 June 2018, $290,373 was recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases (2017: $271,331).

Note 19:
Key Management Personnel and Related Party Disclosures

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

Non-executive directors
Mr T. Cuthbertson (Chairman)
Mr R. Harrison (Retired 31.10.2017)
Mr C. Iles

Executive directors
Mr M. Turbott

Details of the nature and amount of each major element of the emoluments of each director of the company for the year ending 30 June 2018 are:

Directors	Year	Short Term			Other long term (ii)	Post Employment Superannuation Contributions	Total
		Salary	Consulting Fees	Non-Monetary Benefits			
M.J Turbott	**2018**	53,994	-	138,297	15,721	33,426	241,438
	2017	188,979	-	134,399	27,122	35,000	385,500
T Cuthbertson	**2018**	52,500	26,250	-	-	-	78,750
	2017	70,000	35,000	-	-	-	105,000
R Harrison (i)	**2018**	16,667	11,667	-	-	-	28,334
	2017	50,000	35,000	-	-	-	85,000
C Iles	**2018**	37,500	26,250	-	-	-	63,750
	2017	15,000	10,500	-	-	-	25,500
Total	**2018**	160,661	64,167	138,297	15,721	33,426	412,272
	2017	323,979	80,500	134,399	27,122	35,000	601,000

i. R Harrison resigned as Non-executive Director effective 31 October 2017.

ii. In accordance with AASB 119 Employee Benefits, annual leave is classified as another long-term employee benefit. Other long term benefits also include Long Service Leave accrued.

Non monetary benefits relate to motor vehicles during the financial year and insurance paid for the Managing Director. Consultancy fees relate to additional services provided by Messrs Cuthbertson and Harrison for professional time in excess of normal Director duties in FY18.

As at 30 June 2018 $64,000 ($69,750 at 30 June 2017) is outstanding to Directors for salaries and consulting fees and included in the remuneration table above.

Note 19 (continued)

Austpac Resources N.L. engaged Mr T. Cuthbertson, Mr R. Harrison, and Mr C. Iles for the provision of consultancy services. The terms and conditions of the services are no more favourable than those available, or which might reasonable be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The details of the transactions are as follows:

	Transaction	2018 $	2017 $
Specified Directors			
Mr T. Cuthbertson	Consultancy Fees	26,250	35,000
Mr R. Harrison	Consultancy Fees	11,667	35,000
Mr C. Iles	Consultancy Fees	26,250	10,500

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:

	2018				2017			
Specified Directors	**Held at 1 July**	**Purchases**	**Forfeited**	**Held at 30 June**	**Held at 1 July**	**Purchases**	**Forfeited**	**Held at 30 June**
Mr T. Cuthbertson								
- Fully Paid Ordinary Shares	166,667	-	-	166,667	166,667	-	-	166,667
- Partly Paid Ordinary Shares	9,500,000	-	-	9,500,000	9,500,000	-	-	9,500,000
Mr M. Turbott								
- Fully Paid Ordinary Shares	7,438,192	-	-	7,438,192	7,438,192	-	-	7,438,192
- Partly Paid Ordinary Shares	12,712,926	-	-	12,712,926	12,712,926	-	-	12,712,926
Mr R. Harrison								
- Fully Paid Ordinary Shares								
- Partly Paid Ordinary Shares	9,000,000	-	-	9,000,000	9,000,000	-	-	9,000,000

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 2018.

Options and rights over equity instruments
No options were granted since the beginning of the financial year.

Apart from the details disclosed in this note, no other Director has entered into a material contract with the company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

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 $109,200 during the financial year ended 30 June 2018 ($236,600-2017). At 30 June 2018, Notsag has $375,500 payable to the Company in relation to share capital issued.

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

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

Since the end of the financial year ending 30 June 2018, Austpac Resources NL announced the placement of 90,000,000 fully paid ordinary Austpac Resources NL shares of $0.002 each to Australian investors to raise $180,000. The shares were issued prior to 30 June 2018 and an amount of $150,000 was outstanding and recorded in Other Receivables as at 30 June 2018. As at the date of signing this report, $145,000 remains outstanding to be received.

An amount of $225,500 is recorded within Other Receivables and remains outstanding to be received as at 30 June 2018 relating to the 30,000,000 ordinary shares issued in January 2018. As at the date of signing this report $225,500 of the outstanding Other Receivable has been receipted.

On 4 July 2018 the final 128,000 Bergen converting notes with a face value of $1 per note were converted to shares. 128,000,000 shares were issued to Bergen at $0.001 each for a total value of $128,000. The agreement was terminated by mutual consent on 17 July 2018 prior to receipt of the remaining $400,000 stipulated in the amended agreement.

On 3 October 2018 the company has received $200,000 in accordance with a loan agreement entered into with Terry Cuthberston (Chairman). The loan is unsecured and with a repayment period of 13 months from 3 October 2018. When due for repayment, the loan may be repaid in cash or converted to shares at the discretion of the lender, with 5% p.a. interest payable on the completion of the loan period. The $200,000 funds associated with this loan have been received by Austpac at the date of this report.

Note 21:
Reconciliation of Cash Flows from Operating Activities

	CONSOLIDATED	
	2018	2017
	$	$
(Loss) for the year	(26,935,454)	(9,091,040)
Adjustments for:		
Depreciation	33,478	28,605
Loss on disposal of PPE	-	-
Impairment Expense	24,803,658	8,912,262
Finance expense on converting notes	287,885	-
Operating (loss) before changes in working capital and provisions	(1,810,433)	(150,173)
Decrease/(increase) in receivables	230,326	(66,760)
Increase/(decrease) in payables / provisions	678,881	(92,146)
Net cash used in operating activities	(901,226)	(309,079)

Note 22:
Fair Value of Financial Assets and Liabilities

Fair values versus carrying amounts

The Consolidated Entity's accounting policies and disclosures may require the measurement of fair values for both financial and non-financial assets and liabilities. The Consolidated Entity has an established framework for fair value measurement. When measuring the fair value of an asset or a liability, the Consolidated Entity uses market observable data where available.

Fair values are categorised into different levels in a fair value hierarchy based on the following valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability can be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Consolidated Entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Financial assets and liabilities are stated at cost. The fair values together with the carrying amounts shown in the financial statement of financial position are as follows:

Consolidated	Carrying amount 2018	Fair value 2018	Fair Value Hierarchy Level	Carrying amount 2017	Fair value 2017	Fair Value Hierarchy Level
	$	$		$	$	
Trade and other receivables	460,997	460,997	2	691,323	691,323	2
Cash and cash equivalents	29,155	29,155	1	494,440	494,440	1
Finance lease liabilities	136,569	136,569	2	181,102	181,102	2
Trade and other payables	542,395	542,395	2	171,489	171,489	2
Converting notes	128,000	128,000	2	-	-	-

Estimation of fair values

The following summarises the major methods and assumptions used in estimating fair values of financial instruments:

(1) Receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value, if the effect of discounting is material.

(2) Finance leases

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

Note 23:
Financial Risk Management

Overview

This note presents information about the company's and consolidated entity's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The company and the consolidated entity do not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Credit Risk

Credit risk is the risk of financial loss to the consolidated entity and to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers.

Presently, the consolidated entity undertakes technology development and exploration and evaluation activities exclusively in Australia. At the balance date there were no significant concentrations of credit risk.

Cash and cash equivalents
The consolidated entity's limits its exposure to credit risk by only investing in cash deposits with major banks.

Trade and other receivables
The consolidated entity and the company are exposed to credit risk in relation to receivables recorded on the statement of financial position.

The company and consolidated entity have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The directors do not expect any counterparty to fail to meet its obligations.

Exposure to credit risk
The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

		Consolidated Carrying Amount	
	Note	**2018**	**2017**
Receivables	9	460,997	691,323
Cash and cash equivalents	8	29,155	494,440

Guarantees
The consolidated entity's policy is not to provide financial guarantees.

Liquidity risk

Liquidity risk is the risk that the consolidated entity and the company will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

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

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

Note 23 (continued)

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

Consolidated 30 June 2018						
	Carrying amount	**Contractual cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**
Finance lease liabilities	136,569	136,569	38,178	38,178	38,379	21,834
Trade and other payables	542,395	542,395	542,395	-	-	-

Consolidated 30 June 2017						
	Carrying amount	**Contractual cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**
Finance lease liabilities	159,301	181,603	22,265	22,265	76,857	60,216
Trade and other payables	171,489	171,489	171,489	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The consolidated entity is not exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of consolidated entity entities, which is the Australian dollar (AUD).

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

Exposure to currency risk

The consolidated entity and the company is not exposed to currency risk and at balance date the consolidated entity and the company holds no financial assets or liabilities which are exposed to foreign currency risk.

Interest rate risk

The consolidated entity is exposed to interest rate risk on cash investments, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The consolidated entity does not use derivatives to mitigate these exposures.

The consolidated entity adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit bearing interest income at commercial rates.

Profile

At the reporting date the interest rate profile of the consolidated entity's and the company's interest-bearing financial instruments was:

	Consolidated Carrying Amount	
	2018	**2017**
Fixed rate instruments		
Financial assets (surplus cash invested)	29,155	494,440
Financial liabilities (plant and equipment leases)	136,569	181,102

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.

Note 23 (continued)

Commodity Price Risk

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

Capital Management

The consolidated entity's objectives when managing capital are to safeguard the consolidated entity's ability to continue as a going concern, in order to maintain a strong capital base sufficient to maintain future technology development and exploration of projects. In order to maintain or adjust the capital structure, the consolidated entity may issue new shares or sell assets to reduce debt. The consolidated entity's focus has been to raise sufficient funds through equity to fund technology development and exploration and evaluation activities. The consolidated entity monitors capital on the basis of the gearing ratio, however there are no external borrowings at 30 June 2018.

The consolidated entity provides employees with opportunities to participate in the Austpac Resources N.L. Staff Share Purchase Plan.

There were no changes in the consolidated entity's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 24:
Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2018 the parent entity of the Group was Austpac Resources N.L.

	2018	2017
Result of parent entity		
(Loss) / Profit for the period	(26,935,454)	(9,091,040)
Other comprehensive income	-	-
Total comprehensive (loss) / profit for the period	(26,935,454)	(9,091,040)
Financial position of parent entity at year end		
Current assets	490,152	1,185,763
Total assets	2,615,975	27,845,064
Current liabilities	1,509,954	966,914
Total liabilities	1,570,167	1,103,487
Total equity of the parent entity comprising:		
Share capital	87,743,077	86,503,392
Accumulated Losses	(86,697,269)	(59,761,815)
Total equity	1,045,808	26,741,577

Director's Declaration

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

   a) the consolidated financial statements and notes set out on pages 16-41 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 2018 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 2018.

Signed in accordance with a resolution of the Directors.

T. Cuthbertson Director	**M.J. Turbott** Director

Sydney, 11 October 2018

Independent Auditor's Report

To the shareholders of Austpac Resources N.L.

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Austpac Resources N.L. (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of financial position as at 30 June 2018
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* 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 fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 (c), "Going Concern" in the Financial Report. The conditions disclosed in Note 1 (c), indicate a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Financial Report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Analysing cash flow projections by:
  - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past results and practices;
  - Assessing the planned levels of operating and capital expenditures for consistency with our knowledge of the Group's future commitments and the Group's historic commitments and results, particularly in light of the history of loss making operations, the results since year end and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows including the impact of expected future capital raising for feasibility, quantum and timing. We used our knowledge of the Group, its industry and the current status of the expected future capital raisings to assess the level of associated uncertainty.
- Reading Directors' minutes and relevant correspondence to understand the Group's ability to raise additional shareholder funds, and assess the level of associated uncertainty.
- Evaluating the Group's going concern disclosures in the Financial Report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focussed on the principle matters giving rise to material uncertainty.

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Intangible Asset ($2,000,000)	
Refer to Note 12 'Intangible Assets' to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Intangible asset capitalised relating to Mineral Technology Development is a key audit matter due to: • The significance of the development activity to the Group's business and the significant intangible asset balance (being 76% 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. The 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 challenge the Group's assessment Impairment indicators in respect of the intangible asset include that the group has not yet secured the remaining capital required to complete the intangible asset and that no licenses have yet been sold to third parties. We focussed on the significant forward-looking assumptions the Group applied in their fair value less costs of disposal model to test for impairment including: • forecast operating cash flows – the Group has a history of operating losses and is yet to successfully complete development of the intangible asset, as a result the ability to forecast future operating cash flows is more challenging. These conditions increase the risk of inaccurate forecasts or a wider range of possible outcomes for us	Our 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 standards. • We assessed the integrity of the fair value less costs for disposal model used, including the accuracy of the underlying calculation formulas. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the model. We noted previous trends for use in further testing. • We considered the sensitivity of the model by varying key assumptions such as forecast operating cash flows, discount rates and timing of intangible asset completion, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • We assessed through evaluating the Group's correspondence with interested parties the likelihood and amount of licence income cash flows if successful completion of the intangible asset occurs. • We challenged the Group's significant forecast operating cash flows in light of the operating losses and the intangible asset having not yet completed development. We compared key forecast events to the Board approved plan and strategy. We used our knowledge of the Group, their past performance and our industry experience. • Working with our valuation specialists we analysed the Group's discount rate against

to consider

- license income –the Group intends to sell licenses to parties if the successful completion of the intangible asset occurs. Our testing focussed on the likelihood of the Group selling these licences.
- discount rate – the discount rate applied is complicated in nature and varies according to the conditions and environment specific to the intangible asset. The Group's modelling is highly sensitive to small changes in the discount rate. We involved our valuations specialists and senior team members with the assessment.
- timing of intangible asset completion – the Group's modelling is sensitive to changes in the timing of successful completion of the intangible asset.

The Group recorded an impairment charge of $24,803,658 against the intangible asset, resulting from a reassessment of the timing and likelihood of receiving licensing income from the sale of licenses and the expected and the timing of expected cashflows from the intangible asset being commercialised, increasing the sensitivity of the model to small changes in other key assumptions as above. This further increased our audit effort in this key audit area.

In assessing the conditions from the accounting standards allowing capitalisation of relevant expenditure, we focused on evidence of:

- the technical feasibility of completing the development of the intangible asset so that it will be available for use or sale;
- the Group's intention and availability of financial resources to complete the intangible asset and use or sell it; and
- the Group's determination of how the intangible asset will generate future economic benefits and the identification of a market for the output of the intangible asset.

publicly available data of a group of comparable entities

- We recalculated the impairment charge against the recorded amount disclosed.
- We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Capitalisation of relevant expenditure

Our audit procedures included:

- We evaluated the consistency of the Group's accounting policy to recognise intangible assets in the development phase against the criteria in the accounting standards;
- We tested the Group's additions to the intangible asset for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard;
- We evaluated Group documents, such as minutes of Board meetings, the Group's ASX announcements and cash flow forecasts, for consistency with their stated intentions for continuing development and timing of completion of the intangible asset. We corroborated this through interviews with key operational and finance personnel.
- We discussed with Group technical experts, inspected Group ASX announcements and evaluated the Group's correspondence with third parties regarding the continued feasibility to complete the Mineral Technology. We checked third party patent records testing the Group's rights to patents in respect of the Mineral Technology.
- We evaluated the Group's correspondence with interested parties the Group's plans to sell licenses if successful completion of the intangible asset occurs.
- We analysed correspondence between the Group and potential investors and discussed with Group management regarding the status

	of negotiations with parties to invest the remaining capital required to complete the intangible asset.

Other Information

Other Information is financial and non-financial information in Austpac resources N.L.'s annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon[, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and 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 objective is:

- 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. They 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

In our opinion, the Remuneration Report of Austpac Resources N.L. for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 7 to 8 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Daniel Camilleri

Partner

Sydney

11 October 2018

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 2018.

Shareholdings

SUBSTANTIAL SHAREHOLDERS

The number of shares held by the substantial shareholders listed in the holding company's register as at 14 September 2018 was: NIL.

CLASS OF SHARES AND VOTING RIGHTS

At 14 September 2018 there were 3932 holders of the ordinary shares of the holding company. The voting rights attaching to the ordinary shares, set out in Article 32 of the holding company's Articles of Association, are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares –

a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and

b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he holds."

Offices and Officers

Company Secretary:	Nicholas John Gaston
Principal Registered Office:	Level 3, 62 Pitt Street, Sydney NSW 2000 Telephone: (02) 9252 2599
Location of Registers of Securities:	Link Market Services Limited Securities Registration Services, HSBC Building 680 George Street, Sydney NSW 2000

Austpac Resources N.L. is an Australian incorporated listed public no liability company domiciled in Australia.

Additional Stock Exchange Information

Distribution of Shareholders as at 12 September 2018

	Number of Ordinary Shareholders
1-1,000	185
1,001-5000	557
5,001-10,000	473
10,001-100,000	1553
100,001 and over	1164
	3932
Holders of less than a marketable parcel	3,360

The 20 largest shareholders hold 28.12% of the ordinary shares of the holding company.

20 Largest Shareholders as at 12 September 2018

	No. of Ordinary Shares Held	Percentage (%) Held To Issued Capital
Kronos International Inc.	76,470,588	3.41
Prestcorp Pty Limited	71,549,408	3.19
Rosemarie Cremona	46,114,018	2.06
Mr Tugcan Rauf Sackesen	37,000,000	1.65
Mr Richard Louden Delaney & Mr Ian Arthur Cains	36,191,196	1.61
Orient Zirconic Resources (Australia) Pty Ltd	33,000,000	1.47
Christopher Leech	32,533,721	1.45
FGDG Super Pty Ltd	29,000,000	1.29
Mr Rik Deaton	28,480,000	1.27
Barrios Pty Ltd	26,900,311	1.20
State One Capital Group P/L	26,683,873	1.19
Robert Charles Claxton	26,137,885	1.17
Mr Colin Mark Costello & Mrs Cherie Costello	25,445,003	1.14
Mr Stephen Joseph Harris	22,500,000	1.00
Mr Michael J. Turbott	20,151,117	0.89
Breakthrough Pty Ltd	20,000,000	0.89
Allowside Pty Ltd	19,350,000	0.86
Claxton R&E Pty Ltd	19,159,217	0.85
Mr Ivan James Bota	17,419,870	0.78
Trandara Pty Ltd	16,820,614	0.75
	630,906,821	

MEMBERS OF THE BOARD

Mr Terry Cuthbertson *ACA*
Chairman
Mr Michael J. Turbott *BSc (Hons), FAusIMM, FAIG*
Managing Director
Mr Colin Iles
Director

SECRETARIES

Company Secretary
Mr Nicholas J. Gaston *ACIS*

GENERAL MANAGERS

Mr John Winter, *BEng (Hons) – Chemical Engineering, MIEAust, MIChemE*
General Manager, Technology Development
Mr Michael J. Smith *BSc, MSc, RPGeo, FAIG, MGSA, MASEG*
General Manager Exploration

AUDITOR

KPMG, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

SOLICITORS

Emil Ford
580 George Street
Sydney NSW 2000

SHARE REGISTRY

Link Market Services Limited
Securities Registration Services, Ernst and Young building
Level 12, 680 George Street
Sydney NSW 2000

BANKER

ANZ Bank
115 Pitt Street, Sydney, NSW 2000

STOCK EXCHANGE LISTING

Australian Securities Exchange Limited (Sydney)