

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

ABN 87 002 264 057

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2020

	Page
Directors' report	2
Auditor's independence declaration	4
Condensed consolidated statement of profit or loss and other comprehensive income	5
Condensed consolidated statement of changes in equity	6
Condensed consolidated statement of financial position	7
Condensed consolidated statement of cash flows	8
Condensed notes to the half-year financial report	9
Directors' declaration	12
Independent auditor's review report	13

This Interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Austpac Resources N.L. during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' Report

The directors present their report together with the consolidated financial statements for the half-year ended 31 December 2020 and the auditor's review report thereon.

Directors

The directors of the Company during the half-year are:

Name	Period of Directorship
Non-executive Mr Terry Cuthbertson	Director since March 2001, Chairman since May 2004
Non-executive Mr Colin Iles	Director since 14 March 2017
Non-executive Mr Geoff Hiller	Director since May 2019

Review and Results of Operations

The net result of operations after applicable income tax benefit for the half-year was a profit of \$29,177 (2019: profit of \$205,043).

The first 6 months of the financial year were impacted by Covid restrictions and border closures.

AUSTPAC'S ZINC & IRON RECOVERY PROCESS (ZIRP) PROOF OF CONCEPT TESTWORK PROGRAM COMPLETED DURING THE QUARTER

The final test work was completed by CSIRO in May 2020 and final results were presented to the company in June 2020. The results showed technically the process could produce a high purity pig iron and a good quality Zinc oxide. Subsequently a review was conducted of the trial process and it was determined further work was required to enable commercialisation. Austpac are in the process of investigating the way forward in this area.

THE 2020 EXPLORATION PROGRAM COMMENCES AT NHILL

In September 2020 Austpac license for EL 5291 was renewed.

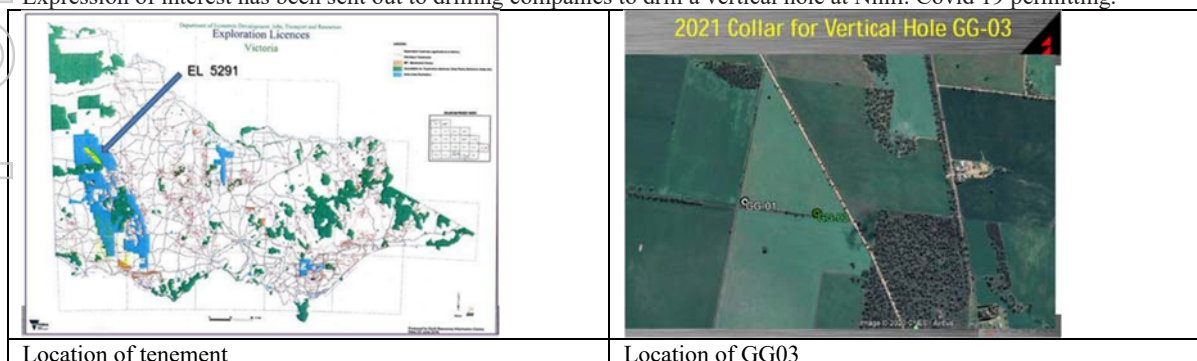
In January 2020 new geophysical work was conducted at Nhill generating a great deal of information regarding the site and where we should locate Drill hole GG-03. Due to Covid 19 there was no work conducted on site since March 2020. Interpretation of the Geophysical work was undertaken in February and March 2020. As a result of this work it has been determined the best location for the Austpac drill hole GG-03.

Through the interpretation of the Geophysical data a vertical hole will be drilled at location GG-03. This was chosen due to a focused strong target area based on modeling from the geophysical work conducted in January 2020.

The site was determined using 2 sources of data overlaid to give the best possible opportunity for success.

There are 2 dipping bodies, one associated with GG-01 and a stronger target northeast. This is backed up with strong magnetic response and high density in the area of GG-03. The hole is located 550 m east of GG-01

Expression of interest has been sent out to drilling companies to drill a vertical hole at Nhill. Covid 19 permitting.



EL 5291 Nhill

Mining Exploration Entities:

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

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

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2020.

Subsequent Events

Subsequent to 31 December 2020, there has not arisen in the interval between 31 December 2020 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the consolidated entity in future financial years.

Signed in accordance with a Resolution of the Directors on 12th March 2021.



T. Cuthbertson
Chairman



**AUSTPAC RESOURCES N.L.
ABN 87 002 264 057
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 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, during the half-year ended 31 December 2020 there have been no contraventions of:

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

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney

Dated this 12th day of March 2021

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Austpac Resources N.L. and its controlled entities
Condensed consolidated statement of profit or loss
and other comprehensive income
For the half-year ended 31 December 2020

	Note	6 months ended 31 Dec 2020 \$	6 months ended 31 Dec 2019 \$
Technology transaction revenue		-	1,500,000
Other revenue		37,500	-
Administrative and other expenses		(234,884)	(745,483)
Research and development - technology		(77,285)	(525,944)
Amortisation of right-of-use – office lease	13	(101,485)	(108,504)
Exploration expenditure – Nhill		-	(32,939)
Results from operating activities		(376,154)	87,130
Interest income		2,467	-
Finance expenses		(2,829)	(1,866)
Net financing expense		(362)	(1,866)
(Loss)/profit before tax		(376,516)	85,264
Income tax benefit	7	405,693	119,779
Net profit for the period		29,177	205,043
Other comprehensive income for the period net of income tax		-	-
Total comprehensive profit for the period		29,177	205,043
Basic and diluted profit per share (Cents)		0.001	0.01

The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the condensed notes to the half-year financial report set out on pages 9 to 11.

Austpac Resources N.L. and its controlled entities
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2020

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2019	89,365,490	(87,550,881)	1,814,609
Profit for the period	-	205,043	205,043
Other comprehensive income for the period	-	-	-
Balance at 31 December 2019	89,365,490	(87,345,838)	2,019,652
Balance at 1 July 2020	89,660,490	(87,782,374)	1,878,116
Profit for the period	-	29,177	29,177
Other comprehensive income for the period	-	-	-
Balance at 31 December 2020	89,660,490	(87,753,197)	1,907,293

The condensed consolidated statement of changes in equity is to be read in conjunction with the condensed notes to the half-year financial report set out on pages 9 to 11.

Austpac Resources N.L. and its controlled entities
Condensed consolidated statement of financial position
As at 31 December 2020

	Note	31 Dec 2020 \$	30 June 2020 \$
Current Assets			
Cash and cash equivalents		271,490	166,696
Trade and other receivables		20,257	308,146
Total Current Assets		<u>291,747</u>	<u>474,842</u>
Non-Current Assets			
Property, plant and equipment		51,739	65,010
Intangible assets	8	2,000,000	2,000,000
Right-of-use-assets		112,268	213,753
Total Non-Current Assets		<u>2,164,007</u>	<u>2,278,763</u>
Total Assets		<u>2,455,754</u>	<u>2,753,605</u>
Current Liabilities			
Trade and other payables		212,578	307,231
Interest-bearing loans and borrowings		2,560	100,000
Lease liability		101,508	197,301
Employee benefits		218,846	224,777
Total Current Liabilities		<u>535,492</u>	<u>829,309</u>
Non-Current Liabilities			
Lease Liability		12,969	46,180
Total Non-Current Liabilities		<u>12,969</u>	<u>46,180</u>
Total Liabilities		<u>548,461</u>	<u>875,489</u>
Net Assets		<u>1,907,293</u>	<u>1,878,116</u>
Equity			
Issued capital		89,660,490	89,660,490
Accumulated losses		(87,753,197)	(87,782,374)
Total equity attributable to equity holders of the parent		<u>1,907,293</u>	<u>1,878,116</u>

The condensed consolidated statement of financial position is to be read in conjunction with the condensed notes to the half-year financial report set out on pages 9 to 11.

Austpac Resources N.L. and its controlled entities
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2020

	6 months ended 31 Dec 2020 \$	6 months ended 31 Dec 2019 \$
Cash flows from Operating Activities		
Proceeds from Technology Revenue Transaction	-	1,500,000
Cash paid to suppliers and employees	(403,405)	(819,925)
Leasing and operation of Newcastle site	(116,809)	-
Interest received	2,467	-
Interest paid	(3,193)	(1,866)
Research and development grant received	405,693	119,779
Government cash boost support	50,000	-
Net cash (used in)/ provided by operating activities	(65,247)	797,988
Cash flows from investing activities		
Payments for mineral technology development	-	(525,944)
Net cash (used in) investing activities	-	(525,944)
Cash flows from financing activities		
Proceeds from the issue of share capital	295,000	90,000
Loan from Shareholders repaid	-	(200,000)
Repayment of short term loan	(100,000)	-
Repayment of finance lease liabilities	(24,959)	(8,403)
Net cash provided by/(used in) financing activities	170,041	(118,403)
Net increase in cash held	104,794	153,641
Cash and cash equivalents at 1 July	166,696	472,097
Cash and cash equivalents at 31 December	271,490	625,738

The condensed consolidated statement of cash flows is to be read in conjunction with the condensed notes to the half-year financial report set out on pages 9 to 11.

Austpac Resources N.L. and its controlled entities

Condensed notes to the half-year financial report

1. Reporting Entity

Austpac Resources N.L. (the “Company”) is a company domiciled in Australia. The half-year financial report of the Company as at and for the six months ended 31 December 2020 comprises the Company and its subsidiaries (the “consolidated entity”).

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2020 is available upon request from the Company’s registered office.

2. Statement of Compliance

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

The half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2020.

This half-year financial report was approved by the Board of Directors on 12th March 2021.

3. Significant Accounting Policies

The accounting policies applied by the consolidated entity in this half-year financial report are the same as those applied by the consolidated entity in its consolidated annual financial report as at and for the year ended 30 June 2020.

In the current period, the Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current interim reporting period and relevant to the Group. The adoptions of these amendments have not resulted in any changes to the Group’s accounting policies and has had no effect on the amounts reported for the current or prior periods.

The half-year financial report is presented in Australian dollars.

4. Estimates

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

In preparing this half-year financial report, the significant judgements made by management in applying the consolidated entity’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2020.

5. Going Concern

The consolidated entity has a net current asset deficiency at 31 December 2020 of \$243,745 (30 June 2020 current asset deficiency: \$354,467) and negative cash flows from operating activities of \$65,247 (31 December 2019 positive cash flows \$797,988).

The 31 December 2020 Financial Report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

In September 2020 the Company received a R&D tax concession refund for \$405,693 for 2020. In November 2020 the Company received outstanding funds for unreported shares issued of \$295,000 prior to 1 July 2019.

The Directors believe that the consolidated entity will be able to fund future operations through the funding offered by potential new investors, further share issues to existing shareholders, the successful commercialisation of mineral technologies, the sale of surplus assets or receipt of R&D tax returns.

In addition, the Directors have implemented plans to reduce costs including that directors agreed in the interim to reduce their directors’ fees to \$1,000 per month for each director effective from 1 January 2020 until the Company’s financial position improves.

Austpac Resources N.L. and its controlled entities

Condensed notes to the half-year financial report (continued)

5. Going Concern (continued)

Notwithstanding the cost containment measures, without:

- funding offered by potential new investors;
- further share issues to existing shareholders;
- successful commercialisation of mineral technologies;
- sale of surplus assets; and

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

If the consolidated entity is unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities in order to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the 31 December 2020 Financial Report.

6. Segment Reporting

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

7. Income Tax Benefit

In September 2020, the Company received a 2020 R&D claim for \$405,693. The result of the R&D claim is shown as a tax benefit.

8. Intangible Assets

The carrying value of Intangible assets at 31 December 2020 is \$2,000,000 (30 June 2020: \$2,000,000).

Austpac Resources N.L. mineral technology development relates to the Newcastle Iron Recovery Plant which employs the E.A.R.S acid regeneration technology, as well as ERMS mineral technology development. The ultimate recoupment of costs carried forward are dependent upon the successful development and commercialisation of the technology.

9. Capital and Reserves

As at 31 December 2020 there are 3,239,862,956 shares issued (30 June 2020: 3,239,862,956).

In November 2020 the Company has recovered \$295,000 for the unreported issued shares of 300,286,997 at \$0.001 per share prior to 1st July 2019.

Dividends

No dividends were declared or paid by the consolidated entity during the period (2019: nil).

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.

10. Events subsequent to balance date

Subsequent to 31 December 2020, there has not arisen in the interval between 31 December 2020 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the consolidated entity in future financial years.

11. Financial Risk Management

Aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2020. The carrying amount of the Group's financial assets and liabilities equals their respective fair values as at 31 December 2020.

12. Loan to Company

In June 2020, a loan of \$100,000 was made to the Company by a third party. The loan was unsecured with 10% interest rate per annum and was repaid upon R&D tax refund received. This loan was repaid with interest of \$2,864 by the Company in October 2020.

Austpac Resources N.L. and its controlled entities

Condensed notes to the half-year financial report (continued)

13. Contingent liabilities

An ex-employee has served the Company a letter of demand in relation to that person's termination. The Company disputes the claims, and the Directors are of the view that there are no reasonable grounds for the ex-employee for such a claim. (2019: Nil)

There is no other material contingent liabilities for the half-year ended 31 December 2020.

14. Changes in accounting policy and new accounting policies

The accounting policies applied by the Group in this condensed half-year financial report are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2020, with the exception of the new accounting policy adopted as disclosed below.

In the current period, the Group has adopted all applicable new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current interim reporting period and relevant to the Group. Unless specifically outlined below, the adoption of these amendments has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reported for the current or prior periods.

Austpac Resources N.L. and its controlled entities

Directors' Declaration

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

- (a) the financial statements and notes, set out on pages 5 to 11, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2020 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 12th day of March 2021.

Signed in accordance with a resolution of the directors:



T. Cuthbertson
Chairman



**AUSTPAC RESOURCES N.L.
ABN 87 002 264 057
AND CONTROLLED ENTITIES**

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Austpac Resources N.L., which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Austpac Resources N.L.'s financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Austpac Resources N.L., ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Matters Relating to Electronic Publication of the Audited Financial Report

This review report relates to the financial report of Austpac Resources N.L. for the half-year ended 31 December 2020 included on the website of Austpac Resources N.L. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

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Independence

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

Conclusion

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

- i. giving a true and fair view of Austpac Resources N.L.'s financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- ii. complying with AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw your attention to Note 5 in the financial report which indicates that the consolidated entity has experienced negative operating cash flows during the period ended 31 December 2020, and as of that date, the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the consolidated entity's ability to successfully achieve positive cash flows from the successful commercialisation of mineral technologies or sale of surplus assets. These conditions, along with other matters as set forth in Note 5, indicate the existence of a material uncertainty that may cast doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney

Dated this 12th day of March 2021

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