

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

ABN 87 002 264 057

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2021

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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 2021 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 2021 and the auditor's review report thereon.

Directors

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

| <i>Name</i> | <i>Period of Directorship</i> |
|---------------------------------------|--|
| Non-executive Mr Terry Cuthbertson | Director since March 2001, Chairman since May 2004 |
| Non-executive Mr Colin Iles | Director since 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 net loss of \$396,237 (2020: profit of \$29,177).

The first 6 months of the financial year were greatly impacted by the pandemic. Travel interstate was difficult and the Company was unable to complete any work on the Nhill drilling project.

The Company has contracted an environmental consulting company to prepare a preliminary environmental assessment report regarding the Company's Newcastle site as one of the conditions for vacating the Newcastle site. This report was requested by the Environment Protection Authority (EPA). The report was completed in December 2021 and sent to the EPA for their review.

On 12 October 2021, the Company has applied the voluntary deregistration of the dormant subsidiaries Almeth Pty Ltd and Austpac Technology Pty Ltd. Almeth Pty Ltd was deregistered on 12 December 2021 and Austpac Technology Pty Ltd was deregistered on 15 December 2021.

AUSTPAC'S ZINC & IRON RECOVERY PROCESS (ZIRP) PROOF OF CONCEPT UPDATED INFORMATION

The ZIRP process went through a review in the first quarter 2022. This review was conducted based on the requirement of the market and the aim to focus on recovery of Zinc without the inclusion of acid regeneration. This resulted in discussions with the market on the process and how it applied to recovery of Zinc from Electric Arc Furnace (EAF) dust. Austpac is at the second stage of discussions with the market for an extended trial of the EAF dust and recovery of the Zinc as Zinc oxide with the aim to produce a 2 to 5 tonnes sample for testing at an accredited laboratory to validate the qualitative purity of the Zinc oxide and pig iron after the induction furnace stage.

THE 2020 EXPLORATION PROGRAM AT NHILL ON HOLD DUE TO THE PANDEMIC

The Nhill project has been on hold due to covid and will be activated once the company has secured quotations for the drill program outlined in FY2020.

NEW PROJECTS

During the reporting period, the Company actively reviewed new projects within our core activities of technology and exploration.

Mining Exploration Entities:

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

Voluntary Suspension from Official Quotation

On 17 June 2021, Austpac Resources entered into voluntary suspension of trading of its securities pending the satisfactory resolution of queries from the ASX in relation to certain prior issues of securities by the Company that occurred in the period between 2016 and 2019.

The Company will include certain orders made by the Federal Court of Australia relating to relief under the Corporations Act 2001 (Cth). The Company has engaged legal representation in order to make an application for the required orders to the Federal Court of Australia, which is expected to be filed in the near future.

Subsequent Events

The Second Loan Facility of \$200,000 is an unsecured loan with 12% interest per annum. Penalty interest of 15% per annum will apply on the outstanding loan amount in the event of default. The loan with interest is to be repaid, at the earlier of:

- After 12 months from the date of each drawdown: and
- If there is a change in management and directors and the Lender does not agree with those changes.

At the date of this report, \$60,000 has been drawn, the unused loan facility available to the Company is \$140,000.

Subsequent to 31 December 2021, there has not arisen in the interval between 31 December 2021 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.

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 2021.

Signed in accordance with a Resolution of the Directors on 15th March 2022.



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 2021 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 15th day of March 2022

MNSA

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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 2021

| | Note | 31 December 2021 \$ | 31 December 2020 \$ |
|---|------|---------------------------|---------------------------|
| Other revenue | | - | 37,500 |
| Administrative and other expenses | | (301,483) | (234,884) |
| Research and development - technology | | (59,789) | (77,285) |
| Amortisation of right-of-use – office lease | | (27,220) | (101,485) |
| Results from operating activities | | <u>(388,492)</u> | <u>(376,154)</u> |
| Interest income | | 186 | 2,467 |
| Finance expenses | | (7,931) | (2,829) |
| Net financing expense | | <u>(7,745)</u> | <u>(362)</u> |
| (Loss) before tax | | (396,237) | (376,516) |
| Income tax benefit | | - | 405,693 |
| Net (loss)/profit for the period | | <u>(396,237)</u> | <u>29,177</u> |
| Other comprehensive income for the period net of income tax | | - | - |
| Total comprehensive (loss)/profit for the period | | <u>(396,237)</u> | <u>29,177</u> |
| Basic and diluted (loss)/profit per share (Cents) | | <u>(0.012)</u> | <u>0.001</u> |

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

Austpac Resources N.L. and its controlled entities
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2021

| | Issued Capital | Accumulated Losses | Total Equity |
|---|-----------------------|-------------------------------|---------------------|
| | \$ | \$ | \$ |
| 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 |
| Balance at 1 July 2021 | 89,660,490 | (88,218,824) | 1,441,666 |
| Loss for the period | - | (396,237) | (396,237) |
| Other comprehensive income for the period | - | - | - |
| Balance at 31 December 2021 | 89,660,490 | (88,615,061) | 1,045,429 |

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

Austpac Resources N.L. and its controlled entities
Condensed consolidated statement of financial position
As at 31 December 2021

| | Note | 31 December 2021 \$ | 30 June 2021 \$ |
|---------------------------------------|------|---------------------------|-----------------------|
| Current Assets | | | |
| Cash and cash equivalents | | 40,472 | 144,306 |
| Trade and other receivables | | 49,774 | 35,197 |
| Right-of-use-assets | | - | 27,220 |
| Prepayment | | 10,408 | 21,803 |
| Total Current Assets | | <u>100,654</u> | <u>228,526</u> |
| Non-Current Assets | | | |
| Property, plant and equipment | | 14,320 | 21,862 |
| Intangible assets | 7 | 2,000,000 | 2,000,000 |
| Total Non-Current Assets | | <u>2,014,320</u> | <u>2,021,862</u> |
| Total Assets | | <u>2,114,974</u> | <u>2,250,388</u> |
| Current Liabilities | | | |
| Trade and other payables | | 859,957 | 657,531 |
| Interest-bearing loans and borrowings | | 209,588 | 151,191 |
| Total Current Liabilities | | <u>1,069,545</u> | <u>808,722</u> |
| Total Liabilities | | <u>1,069,545</u> | <u>808,722</u> |
| Net Assets | | <u>1,045,429</u> | <u>1,441,666</u> |
| Equity | | | |
| Issued capital | | 89,660,490 | 89,660,490 |
| Accumulated losses | | (88,615,061) | (88,218,824) |
| Total Equity | | <u>1,045,429</u> | <u>1,441,666</u> |

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

Austpac Resources N.L. and its controlled entities
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2021

| | 31 December 2021 \$ | 31 December 2020 \$ |
|--|---------------------------|---------------------------|
| Cash flows from Operating Activities | | |
| Cash paid to suppliers and employees | (170,108) | (403,405) |
| Leasing and operation of Newcastle site | (33,218) | (116,809) |
| Interest received | 186 | 2,467 |
| Interest paid | (694) | (3,193) |
| Research and development grant received | - | 405,693 |
| Government cash boost support | - | 50,000 |
| Net cash (used in) operating activities | <u>(203,834)</u> | <u>(65,247)</u> |
| Cash flows from financing activities | | |
| Proceeds from the issue of share capital | - | 295,000 |
| Proceeds from short term loan | 100,000 | - |
| Repayment of short term loan | - | (100,000) |
| Repayment of finance lease liabilities | - | (24,959) |
| Net cash provided by financing activities | <u>100,000</u> | <u>170,041</u> |
| Net (decrease)/increase in cash held | (103,834) | 104,794 |
| Cash and cash equivalents at 1 July | 144,306 | 166,696 |
| Cash and cash equivalents at 31 December | <u>40,472</u> | <u>271,490</u> |

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

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 2021 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 2021 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 2021.

This half-year financial report was approved by the Board of Directors on 15th March 2022.

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 2021.

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 2021.

5. Going Concern

The consolidated entity has a net current asset deficiency at 31 December 2021 of \$968,891 (30 June 2021 net current asset deficiency: \$580,196) and negative cash flows from operating activities of \$203,834 (31 December 2020 negative cash flows \$65,247).

The 31 December 2021 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 funding offered by potential new investors, further share issues to existing shareholders, the successful commercialisation of mineral technologies and the sale of surplus assets.

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 2021 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. Intangible Assets

The carrying value of Intangible assets at 31 December 2021 is \$2,000,000 (30 June 2021: \$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.

8. Capital and Reserves

As at 31 December 2021 there are 3,165,662,956 shares issued (30 June 2021: 3,165,662,956).

Dividends

No dividends were declared or paid by the consolidated entity during the period (2020: 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.

9. Loss Per Share

Basic/diluted loss per share is 0.012 cents (31 December 2020 profit per share 0.001 cents). The weight average number of ordinary shares used in the calculation of basic/diluted loss per share is 3,165,662,956 (31 December 2020: 3,165,662,956).

10. Financial Risk Management

Aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2021. The carrying amount of the Group's financial assets and liabilities equals their respective fair values as at 31 December 2021.

Austpac Resources N.L. and its controlled entities

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

11. Loan to Company

Kore Management Services Pty Limited ("the Lender"), of which the Company Chairman Terry Cuthbertson has an interest, provided the Company with total loan facility of \$400,000.

The First Loan Facility of \$200,000 is an unsecured loan with 10% interest per annum. \$100,000 was drawn on 28 June 2021 and \$100,000 was drawn during the reporting period. This loan with interest, is to be repaid within three business days:

- After 12 months from the date of drawdown, that is, 28 June 2022 on the \$100,000 drawn on 28 June 2021.
- If there is a change in management and directors and the Lender does not agree with those changes.

The first loan facility of \$200,000 with accrued interest is included in Current Liabilities.

The Second Loan Facility of \$200,000 is an unsecured loan with 12% interest per annum. Penalty interest of 15% per annum will apply on the outstanding loan amount in the event of default. The loan with interest is to be repaid, at the earlier of:

- After 12 months from the date of each drawdown: and
- If there is a change in management and directors and the Lender does not agree with those changes.

At the date of this report, \$60,000 has been drawn, the unused loan facility available to the Company is \$140,000.

12. 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.

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

There is no other material contingent liabilities for the half-year ended 31 December 2021.

13. 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 2021.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

14. Events subsequent to balance date

The Second Loan Facility of \$200,000 is an unsecured loan with 12% interest per annum. Penalty interest of 15% per annum will apply on the outstanding loan amount in the event of default. The loan with interest is to be repaid, at the earlier of:

- After 12 months from the date of each drawdown: and
- If there is a change in management and directors and the Lender does not agree with those changes.

At the date of this report, \$60,000 has been drawn, the unused loan facility available to the Company is \$140,000.

Subsequent to 31 December 2021, there has not arisen in the interval between 31 December 2021 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.

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 2021 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 15th day of March 2022.

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 2021, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of Austpac Resources N.L. does not present fairly, in all material respects, the financial position of the Austpac Resources N.L. as at 31 December 2021, and its financial performance and its cash flows for the half-year ended on that date, in accordance with applicable financial reporting framework.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Austpac Resources N.L. in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 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 the company's financial position as at 31 December 2021 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*.

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.

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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 2021 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 2021, 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. 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 and the sale of surplus assets.

MNSA PTY LTD

MNSA Pty Ltd

Mark Schiliro
Director

Sydney

Dated this 15th day of March 2022

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