



AUSTPAC RESOURCES N.L.
ACN 002 264 057

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31 August 2017

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

Dear Sir/Madam

RE: AUSTPAC RESOURCES NL
PRELIMINARY FINAL REPORT 30 JUNE 2017

We are pleased to provide Australian Stock Exchange preliminary final report for the year ended 30 June 2017.

Yours faithfully

N.J. Gaston
Company Secretary

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Appendix 4E

Preliminary final report

Name of entity

AUSTPAC RESOURCES N.L.

ABN or equivalent company
reference

87 002 264 057

Half yearly
(tick)

Preliminary
final (tick)

Financial year ended ('current period')

30 June 2017

Results for announcement to the market

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

\$A'000

Revenues from ordinary activities (item 1.1)	Up		to	-
Loss from ordinary activities after tax attributable to members (item 1.22)	Up	100%	to	367
Profit/Loss from extraordinary items after tax attributable to members (item 2.5(d))				-
Loss for the period attributable to members (item 1.11)	Up	100%	to	367
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend (Preliminary final report only – item 15.4)		N/A ¢		N/A ¢
Previous corresponding period (Preliminary final report – item 15.5)		N/A ¢		N/A ¢
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (see item 15.2)		N/A		
Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

Condensed consolidated statement of financial performance

		Current period - \$A'000	Previous corresponding period - \$A'000
1.1	Revenues from ordinary activities (<i>see items 1.23 -1.25</i>)	-	-
1.2	Expenses from ordinary activities (<i>see items 1.26 & 1.27</i>)	(2,129)	(2,083)
1.3	Borrowing costs	-	-
1.4	Share of net profits (losses) of associates and joint venture entities (<i>see item 16.7</i>)	-	-
1.5	Profit (loss) from ordinary activities before tax	(2,129)	(2,083)
1.6	Income tax benefit	1,762	3,059
1.7	Profit (loss) from ordinary activities after tax	(367)	976
1.8	Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)	-	-
1.9	Net profit (loss)	(367)	976
1.10	Net profit (loss) attributable to outside +equity interests	-	-
1.11	Net profit (loss) for the period attributable to members	(367)	976
Non-owner transaction changes in equity			
1.12	Increase (decrease) in revaluation reserves		
1.13	Net exchange differences recognised in equity		
1.14	Other revenue, expense and initial adjustments recognised directly in equity (attach details)		
1.15	Initial adjustments from UIG transitional provisions		
1.16	Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	-	-
1.17	Total changes in equity not resulting from transactions with owners as owners	-	-

Earnings per security (EPS)		Current period	Previous corresponding Period
1.18	Basic EPS (in cents)	(.02 cents)	.08 cents
1.19	Diluted EPS (in cents)	(.02 cents)	.08 cents

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+ See chapter 19 for defined terms.

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	(367)	976
1.21 Less (plus) outside ⁺ equity interests	-	-
1.22 Profit (loss) from ordinary activities after tax, attributable to members	(367)	976

Revenue and expenses from ordinary activities

(see note 15)

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Revenue from Licence fee income	-	-
1.24 Interest revenue	-	-
1.26 Administration and corporate overheads	(328)	1,032
1.27 Depreciation and amortisation excluding amortisation of intangibles (<i>see item 2.3</i>)	(39)	(56)
Capitalised outlays		
1.28 Interest costs capitalised in asset values	-	-
1.29 Outlays capitalised in intangibles (unless arising from an ⁺ acquisition of a business)	-	-

Consolidated retained profits

	Current period - \$A'000	Previous corresponding period - \$A'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	(50,671)	(51,647)
1.31 Net profit (loss) attributable to members (<i>item 1.11</i>)	(367)	976
1.32 Net transfers from (to) reserves (<i>details if material</i>)	-	-
1.33 Net effect of changes in accounting policies	-	-
1.34 Dividends and other equity distributions paid or payable	-	-
I.F.R.S		
1.35 Retained profits (accumulated losses) at end of financial period	(51,038)	(50,671)

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Intangible and extraordinary items

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

Comparison of half year profits

(Preliminary final report only)

		Current year - \$A'000	Previous year - \$A'000
3.1	Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year (item 1.22 in the half yearly report)	386	1,090
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year	(753)	(114)

Condensed consolidated statement of financial position		At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Current assets				
4.1	Cash	503	612	168
4.2	Receivables	207	516	1,659
4.3	Investments	-	-	-
4.4	Inventories	-	-	-
4.5	Tax assets	-	-	-
4.6	Other (provide details if material)	-	-	-
4.7	Total current assets	710	1,128	1,827
Non-current assets				
4.8	Receivables	-	-	-
4.9	Investments (equity accounted)	-	-	-
4.10	Other investments	-	-	-
4.11	Inventories	-	-	-
4.12	Mineral technology development and exploration and evaluation expenditure capitalised (<i>see para .71 of AASB 1022</i>)	35,812	35,279	35,308
4.13	Development properties (+mining entities)	-	-	-
4.14	Other property, plant and equipment (net)	151	191	166
4.15	Intangibles (net)	-	-	-
4.16	Tax assets	-	-	-
4.17	Other (provide details if material)	-	-	-
4.18	Total non-current assets	35,963	35,470	35,474
4.19	Total assets	36,673	36,598	37,301
Current liabilities				
4.20	Payables	193	188	338
4.21	Interest bearing liabilities	34	86	45
4.22	Tax liabilities	-	-	-
4.23	Provisions	861	826	731
4.24	Other (Project Funds in Advance)	-	-	-
4.25	Total current liabilities	1,088	1,100	1,114
Non-current liabilities				
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	120	105	158
4.28	Tax liabilities	-	-	-
4.29	Provisions exc. tax liabilities	-	-	-
4.30	Other (provide details if material)	-	-	-
4.31	Total non-current liabilities	120	105	158

Condensed consolidated statement of financial position continued

4.32	Total liabilities	1,208	1,205	1,272
4.33	Net assets	35,465	35,393	36,029
	Equity			
4.34	Capital/contributed equity	86,503	86,064	86,314
4.35	Reserves	-	-	-
4.36	Retained profits (accumulated losses)	(51,038)	(50,671)	(50,285)
4.37	Equity attributable to members of the parent entity	35,465	35,393	36,029
4.38	Outside +equity interests in controlled entities	-	-	-
4.39	Total equity	35,465	35,393	36,029
4.40	Preference capital included as part of 4.37	-	-	-

Notes to the condensed consolidated statement of financial position

Technology, Exploration and evaluation expenditure capitalised

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

	Current period \$A'000	Previous corresponding period - \$A'000
5.1 Opening balance	35,279	35,036
5.2 Expenditure incurred during current period	533	243
5.3 Expenditure written off during current period	-	-
5.4 Acquisitions, disposals, revaluation increments, etc.	-	-
5.5 Expenditure transferred to Development Properties	-	-
5.5A I.F.R.S. Compliance Adjustment	-	-
5.6 Closing balance as shown in the consolidated balance sheet (item 4.12)	35,812	35,279

Development properties

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

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

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

Condensed consolidated statement of cash flows

		Current period \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities			
7.1	Receipts from customers (licence fee income)	-	-
7.2	Payments to suppliers and employees	(1,680)	(2,966)
7.3	Dividends received from associates		
7.4	Licence fee income		
7.5	Interest and other items of similar nature received	7	50
7.6	Interest and other costs of finance paid	(12)	(23)
7.7	Income taxes refund	1,762	3,059
7.8	Other (provide details if material)		
7.9	Net operating cash flows	77	120
Cash flows related to investing activities			
7.10	Payment for purchases of property, plant and equipment		
7.11	Proceeds from sale of property, plant and equipment	-	20
7.12	Payment for purchases of equity investments		
7.13	Proceeds from sale of equity investments		
7.14	Loans to other entities		
7.15	Loans repaid by other entities		
7.16	Other (Mineral Technology and Development Expenditure and Exploration Expenditure)	(533)	(243)
7.17	Net investing cash flows	(533)	(223)
Cash flows related to financing activities			
7.18	Proceeds from issues of +securities (shares, options, etc.)	439	643
7.19	Proceeds from borrowings		
7.20	Lease payments	(92)	(82)
7.21	Dividends paid		
7.22	Loan from related party	-	(50)
7.23	Net financing cash flows	347	511
7.24	Net increase (decrease) in cash held	(109)	408

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7.25	Cash at beginning of period (see <i>Reconciliation of cash</i>)	612	204
7.26	Exchange rate adjustments to item 7.25.		
7.27	Cash at end of period (see <i>Reconciliation of cash</i>)	503	612

Non-cash financing and investing activities

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

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Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
8.1 Cash on hand and at bank	503	612
8.2 Deposits at call		-
8.3 Bank overdraft		-
8.4 Other (provide details)		-
8.5 Total cash at end of period (item 7.27)	503	612

Other notes to the condensed financial statements

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

Earnings per security (EPS)

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

Classification of securities as ordinary shares

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

- (a) ordinary shares

Classification of securities as potential ordinary shares

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

Earnings per security (EPS)	Current period	Previous corresponding Period
Basic EPS (in cents)	(.02 cents)	.08 cents
Diluted EPS (in cents)	(.02 cents)	.08 cents

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Earnings reconciliation		
Net profit (loss)	(367)	976
Net profit (loss) attributable to outside equity interests		
Restatement of prior year earnings for effect of change in accounting policy adjusted directly against retained profits		
Basic earnings	(367)	976
After-tax effect of interest	-	-
Diluted earnings		
(Diluted EPS has not been calculated for ordinary shares as there are no potential ordinary shares on issue that are dilutive in respect of these shares).	-	-
Weighted average number of shares used as the denominator		
Number for basic earnings per share		
Ordinary shares	-	-

NTA backing (see note 7)

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

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+ See chapter 19 for defined terms.

Discontinuing Operations

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

12.1 Discontinuing Operations

N/A

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	N/A
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺ acquired	\$
13.3 Date from which such profit has been calculated	
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)	N/A
14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$
14.3 Date to which the profit (loss) in item 14.2 has been calculated	
14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$

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Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	N/A
15.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	
15.3	If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	

Amount per security

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

Total dividend (distribution) per security (interim *plus* final) N/A

(Preliminary final report only)

		Current year	Previous year
15.8	+Ordinary securities	c	c
15.9	Preference +securities	c	c

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

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

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

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

N/A

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

N/A

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

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

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

	Current period \$A'000	Previous corresponding period - \$A'000
16.1 Profit (loss) from ordinary activities before tax	N/A	N/A
16.2 Income tax on ordinary activities		
16.3 Profit (loss) from ordinary activities after tax		
16.4 Extraordinary items net of tax		
16.5 Net profit (loss)		
16.6 Adjustments		

16.7 Share of net profit (loss) of associates and joint venture entities		
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Material interests in entities which are not controlled entities

N/A

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

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

Issued and quoted securities at end of current period

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

Category of +securities	Total number	Number quoted	Issue price per security	Amount paid up per security
18.1 Preference +securities (description)	-	-	-	-
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	-	-	-	-
18.3 +Ordinary securities	1,496,100,109	1,421,487,183	-	-

18.4	Changes during current period				
	(a) Increases through issues				
	Sept 2016	25,000,000	-	\$0.01	
	Mar 2017	19,000,000		\$0.01	
	Other - Balance of				
	(b) Share purchase shares	52,072,926			\$0.01
	(c) Increase through issues				
	(d) Forfeited shares held for re-issue	22,540,000			-
18.5	+Convertible debt securities (<i>description and conversion factor</i>)	-	-	-	-
18.6	Changes during current period				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
18.7	Options (<i>description and conversion factor</i>)	-	-	<i>Exercise price</i>	<i>Expiry date (if any)</i>
18.8	Issued during current period				
18.9	Exercised during current period				
18.10	Expired during current period				
18.11	Debentures (<i>description</i>)				
18.12	Changes during current period				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
18.13	Unsecured notes (<i>description</i>)	-	-		
18.14	Changes during current period				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				

Segment reporting

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

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

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

Business segments

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

Geographical segments

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

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

Australia Mineral Exploration, Mineral sands and technology development

Primary Reporting Geographic Segments	AUSTRALIA		CONSOLIDATED	
	2017 \$'000's	2016 \$'000's	2017 \$'000's	2016 \$'000's
Revenue				
External segment revenue	-	-	-	-
Inter-segment revenue				
Total segment revenue	-	-	-	-
Other unallocated revenue				
Total revenue	-	-	-	-
Result				
Segment result – Profit / (loss)	(367)	976	(367)	976
Share of net profit or loss/result of equity accounted investments				
Unallocated corporate expenses				
Profit from ordinary activities before income tax				
Income tax (expense) / benefit				
Profit from ordinary activities after income tax				
Extraordinary items after tax				
Net profit / (loss)	<u>(367)</u>	<u>976</u>	<u>(367)</u>	<u>976</u>
Depreciation and amortisation		-		-
Non-cash expenses other than depreciation and amortisation		-		-
Individually significant items		-		-

COMMENTARY

CORPORATE

In September 2016 Austpac Resources NL placed 25,000,000 fully paid ordinary Austpac Resources NL shares at 1 cent each to professional investors to raising \$250,000.

In October 2016 Austpac Resources NL received a 2016 R&D Tax Concession refund for \$266,865.

In February 2017, Austpac Resources NL received a revised 2016 R&D Tax Concession refund for \$1,506,552.

In March 2017, Austpac Resources NL placed 19,000,000 fully paid ordinary Austpac Resources NL shares at 1 cent each to professional investors raising \$190,000.

In March 2017, Mr Colin Iles was appointed to the Board of Directors of Austpac Resources NL.

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 was 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.

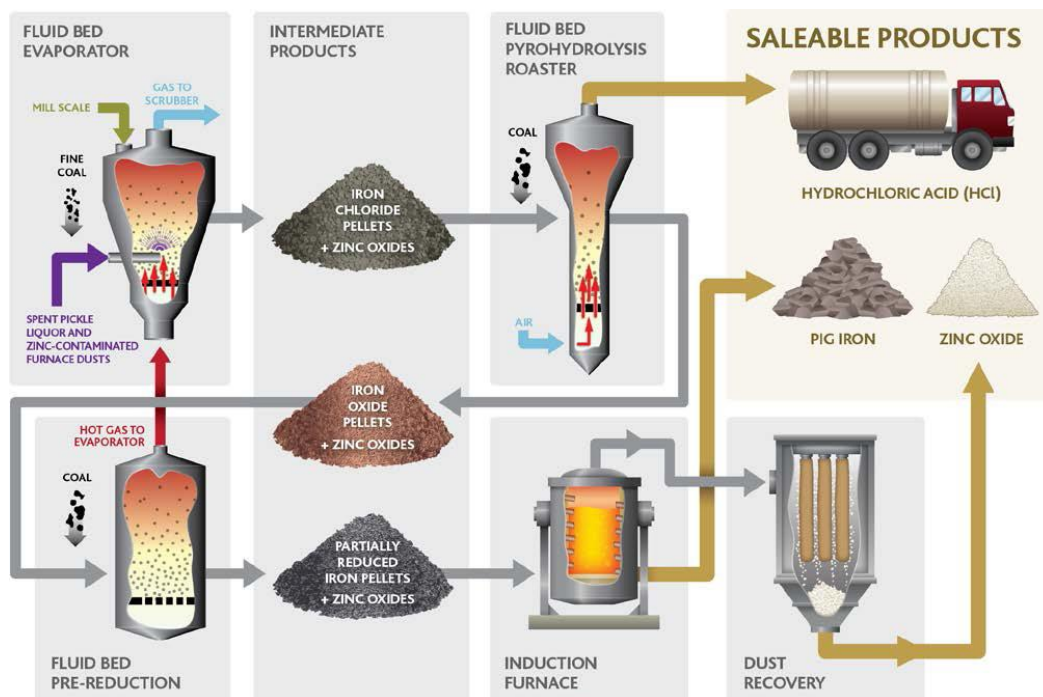
In October 2016, Austpac's management and technical team was augmented by Colin Iles, who joined the Company as a consultant. Colin is a metallurgist with over 35 years' experience in international trade, sales and business development and the commercial management of technical projects at plant level and is an expert in international metals sourcing and trading. Since October he has been closely involved in planning the commercialization of the NZIRP and in March 2017, he was appointed a non-executive director of the Company.

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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), as shown in diagram below.



FLOW DIAGRAM OF AUSTPAC’S ZINC OXIDE-IRON-HCl RECOVERY PROCESS

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 Stage 1 production run to process the stored furnace dust and SPL is scheduled to commence in September 2017. This will produce sufficient mixed chloride-oxide pellets for use in the next two process stages.

The next two stages, Pyrohydrolysis (PYRO) and Fluid Bed Pre-Reduction (FBPR), will both use the same fluid bed roaster operated sequentially. The body of a large existing refractory-lined roaster is being modified for these dual duties. This requires the fabrication of a refractory-lined lower body and plenum, as well as a refractory-lined roaster cap and off-gas ductwork. The modified roaster will be integrated with the gas scrubbing system used for EVAP, and with the gas and air supply, electrics and instrumentation necessary for its operations.

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

ERMS SR SYNRTILE TECHNOLOGY LICENCE

During the first half of 2016, Austpac was approached by a company with a significant heavy mineral resource in Asia regarding a licence to use the ERMS SR synrutile process. A draft licence and investment agreement for the production of high grade synrutile was negotiated and in July 2017, the company was continuing to seek final approvals for financing in order to sign the agreement with Austpac.

EL 5291 NHILL

In May 2017, Austpac completed one exploration drill hole to test the basement rocks for copper-lead-zinc mineralisation under a thick cover of much younger Murray Basin sediments. The program is being co-funded by the Victorian Government under the TARGET Minerals Exploration Initiative. The drill target was developed using recently acquired magnetic and gravity data and the innovative geological concepts developed by the Geological Survey of Victoria. The vertical hole, DH GG-01, passed through the cover sediments using mud rotary equipment and encountered competent basement

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+ See chapter 19 for defined terms.

at 248.9m. Diamond core drilling was then used to continue the hole for a further 75.6m and the hole was terminated at 324.5m.

The basement consists primarily of basaltic volcanics which, apart from two very narrow sections in the hole, have been strongly to intensely altered by hydrothermal fluids. The alteration is accompanied by sulphide mineralisation, which was deposited primarily as pyrite (iron sulphide) in fractures, along breccia boundaries and in vughs/amygdales (voids). The pyrite is often accompanied by significant amounts of sphalerite (zinc sulphide) and minor amounts of finely disseminated chalcopyrite (copper sulphide) and anomalous gold.

The results from initial 38 core samples submitted for analysis were very encouraging, as described in the Company's recent Quarterly Report to the ASX dated 30 July 2017.

Two intervals contain abundant visible sphalerite and pyrite mineralisation:

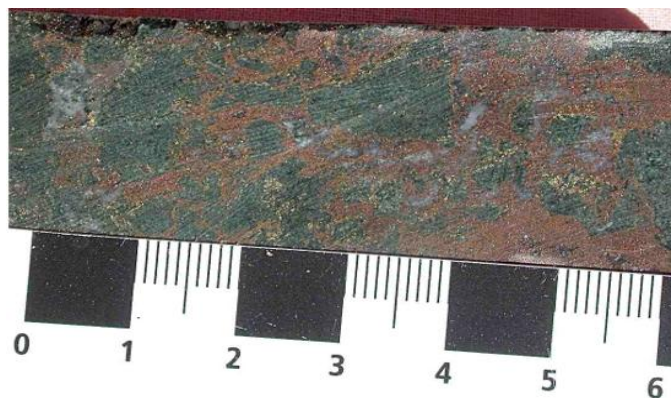
- 0.5m at 3.6% Zn with 0.44 g/t Au (intercept downhole from 308.0m to 308.5m). This included an 8cm section containing 15% sphalerite and 8% pyrite together with silica flooding (see photo).
- 0.5m at 1.2% Zn with 0.20 g/t Au (intercept downhole from 324.0m to 324.5m; end of the hole).

In July 2017, an additional 31 drill core samples were analysed to fill in the gaps in the initial batch of samples. The results show that the zone of strongly anomalous base metals and gold extends over a broader interval within hole GG-01 than previously known. The additional results are highlighted in light grey in the table below, and anomalous results are marked in bold and an asterisk*.

The basaltic volcanics encountered at the base of drill hole GG-01 at Nhill are considered analogous to parts of the Cambrian Mount Stavely Volcanic Complex, ~170km to the southeast, where results of recent drilling intersected porphyry-style copper-gold mineralisation. Exploration in the Mallee region of western Victoria has been hampered by the thick cover of Murray Basin sediments. The mineralisation encountered in GG-01 is highly encouraging considering it is the first hole drilled in this previously untested terrain.

The strong alteration and mineralisation encountered in GG-01 is the result of the introduction of mineral-rich fluids into permeable fractures and breccia zones. The mineral assemblage observed is typical of the outer halo of a hydrothermal system, the source of which is offset from present drill hole. However, the distance and direction of its source cannot be assessed with a single drill hole and step-out drilling is required to fully test this hitherto unexplored region.

Below is a photograph of a 6cm section of core from 308.0m from the upper breccia zone, showing altered basalt fragments (greenish) enclosed by a hydrothermal matrix of ~15% brown sphalerite (zinc sulphide), ~8% yellowish pyrite and subordinate pale grey quartz. Scale bar in centimetres:



ANALYSES FOR DRILLHOLE GG-01 - EL 5291 NHILL, VICTORIA

Note: Technical details regarding the sampling and analytical procedures used are attached to Austpac's Quarterly Report to the ASX for the Quarter dated 30 July 2017.

Batch 1 - 38 core samples plus 2 standards (no highlight)

Batch 2 - 31 core samples plus 2 standards (light grey highlight)

* indicates anomalous values (bold)

SAMPLE	FROM	TO	Interval		Au (Au- TL43)	Ag (ME- ICP43)	Cu (ME- ICP43)	Pb (ME- ICP43)	Zn (ME- ICP43)	Zn (Zn- OG46)
ID	m	m	m		ppm	ppm	ppm	ppm	ppm	%
GG001	234.0	243.0	9.0		0.00	0.4	159	28	408	
GG002	243.0	248.9	5.9		0.00	0.3	78	19	233	
GG003	250.2	251.1	0.9		0.00	<0.1	6	21	91	
GG004	251.1	251.6	0.5		0.00	0.2	286	13	185	
GG041	251.6	252.6	1.0		0.00	<0.1	62	1.3	94	
GG042	252.6	253.6	1.0		0.00	<0.1	76	2.3	95	
GG044	259.0	260.0	1.0	*	0.00	0.3	552	3.9	103	
GG045	260.0	261.0	1.0		0.00	<0.1	26	2.6	119	
GG005	276.8	277.5	0.7		0.01	0.2	106	12	119	
GG046	277.5	278.0	0.5		0.01	0.1	159	3.5	158	
GG006	278.0	278.3	0.3		0.01	0.1	143	10	106	
GG007	278.3	278.5	0.2		0.00	0.1	117	11	159	
GG008	278.5	279.2	0.7		0.10	0.4	174	38	178	
GG047	279.2	280.1	0.9		0.01	<0.1	35	3.5	99	
GG048	280.1	281.1	1.0	*	0.27	0.2	108	6.0	198	
GG009	281.1	281.6	0.5		0.10	0.4	155	22	140	
GG010	281.6	282.2	0.6		0.09	0.6	144	25	285	
GG011	282.2	282.5	0.3		0.06	0.4	244	19	277	
GG012	282.5	283.0	0.5		0.02	0.3	214	11	149	
GG013	283.0	283.5	0.5		0.03	0.2	127	11	107	
GG014	283.5	284.0	0.5	*	0.57	0.3	198	7	117	
GG016	284.0	284.5	0.5		0.05	0.2	178	8	137	
GG017	284.5	285.0	0.5		0.03	0.4	320	11	143	
GG018	285.0	285.5	0.5	*	0.03	0.8	716	19	156	
GG019	285.5	286.0	0.5		0.02	0.2	179	6	103	
GG020	286.0	286.5	0.5		0.03	0.1	70	5	103	
GG021	286.5	287.0	0.5		0.03	0.4	284	5	167	
GG022	287.0	287.5	0.5		0.03	0.3	181	9	107	
GG023	287.5	288.0	0.5		0.04	0.2	209	4	140	
GG049	288.0	289.0	1.0	*	0.36	0.1	108	1.7	83	
GG050	289.0	290.0	1.0		0.11	0.1	113	2.9	77	
GG051	292.5	293.5	1.0		0.02	0.1	207	3.8	135	
GG052	293.5	294.5	1.0		0.01	<0.1	124	4.2	137	
GG053	294.5	295.5	1.0		0.01	<0.1	119	3.2	115	

SAMPLE	FROM	TO	Interval		Au (Au- TL43)	Ag (ME- ICP43)	Cu (ME- ICP43)	Pb (ME- ICP43)	Zn (ME- ICP43)	Zn (Zn- OG46)
ID	m	m	m		ppm	ppm	ppm	ppm	ppm	%
GG054	295.5	296.5	1.0		0.01	<0.1	90	3.0	84	
GG055	296.5	297.5	1.0		0.01	<0.1	85	3.1	92	
GG024	297.5	298.0	0.5	*	0.08	0.4	747	5	200	
GG025	298.0	298.5	0.5	*	0.07	0.4	544	10	384	
GG056	298.50	299.25	0.8		0.02	0.1	183	17.2	388	
GG057	299.25	300.25	1.0		0.02	0.1	226	3.0	154	
GG058	300.25	301.25	1.0		0.08	0.1	215	3.2	148	
GG059	301.25	302.25	1.0		0.04	0.1	99	4.4	142	
GG060	302.25	303.25	1.0	*	0.02	0.2	326	15.1	453	
GG026	305.0	305.5	0.5	*	0.07	0.5	307	56	783	
GG027	305.5	306.0	0.5	*	0.02	0.2	223	43	1,380	
GG028	306.0	306.5	0.5	*	0.20	0.3	257	47	2,280	
GG029	306.5	307.0	0.5		0.01	0.2	280	6	287	
GG031	307.0	307.5	0.5	*	0.59	0.3	273	7	544	
GG032	307.5	308.0	0.5	*	0.23	0.2	199	6	332	
GG033	308.0	308.5	0.5	*	0.44	0.4	269	13	>10000	3.60
GG061	308.5	309.2	0.7		0.01	<0.1	135	9.7	282	
GG062	309.2	309.9	0.7		0.01	0.1	216	11.1	180	
GG063	309.9	310.7	0.8		0.02	0.1	200	4.4	135	
GG064	310.7	311.5	0.8	*	0.51	0.1	171	3.1	94	
GG034	311.5	312.0	0.5		0.02	0.2	257	8	255	
GG035	312.0	312.5	0.5		0.04	0.2	266	22	365	
GG036	312.5	313.0	0.5		0.02	0.1	165	8	170	
GG037	313.0	313.5	0.5		0.09	0.2	219	5	192	
GG038	313.5	314.0	0.5	*	0.22	0.2	205	12	311	
GG039	314.0	314.5	0.5		0.01	0.1	157	3	150	
GG065	317.5	318.2	0.7	*	0.21	0.3	1,230	3.8	1,400	
GG066	318.2	319.0	0.8	*	0.00	0.1	558	2.6	201	
GG067	319.0	319.8	0.8		0.00	0.1	227	2.4	146	
GG068	319.8	320.6	0.8		0.00	<0.1	276	1.5	133	
GG069	320.6	321.4	0.8	*	0.02	0.1	354	2.4	1,410	
GG070	321.4	322.2	0.8	*	0.07	<0.1	169	2.9	887	
GG071	322.2	323.1	0.9	*	0.01	0.1	336	1.6	564	
GG072	323.1	324.0	0.9	*	0.01	0.2	214	3.2	498	
GG040	324.0	324.5 EOH	0.5	*	0.20	0.8	619	5	>10000	1.20

Mining Exploration Entities:

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

Basis of financial report preparation

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

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

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

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

None	-
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- 19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

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

-

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

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

-

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

-

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

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

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

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

Additional disclosure for trusts

20.1	Number of units held by the management company or responsible entity or their related parties.	-
20.2	A statement of the fees and commissions payable to the management company or responsible entity. Identify: <ul style="list-style-type: none"> • initial service charges • management fees • other fees 	-

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	TO BE ADVISED
Date	23 NOVEMBER 2017
Time	4:30 PM
Approximate date the ⁺ annual report will be available	

Compliance statement

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

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

Sign here: Date: 31 August 2017
(Company Secretary)

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