AUSTPAC RESOURCES N.L.
AND ITS CONTROLLED ENTITIES

ABN 87 002 264 057

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2012

Austpac Resources N.L. and its controlled entities

Directors' Report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2012 and the auditor's review report thereon.

Directors

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

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

Review and Results of Operations

The net result of operations after applicable income tax expense for the half-year was a profit of $4,578,506 (2011: profit of $754,933).

In July 2012, Austpac completed a placement of 57 million fully paid ordinary shares at 3 cents each to raise $1,710,000 for the continuing development of the Newcastle Iron Recovery Plant and for working capital. 33,466,662 fully paid shares were issued prior to 30 June 2012. Subsequent to 30 June 2012, the remaining 23,533,338 shares were issued and paid.

In August 2012, Austpac completed a placement of 33 million fully paid ordinary shares at 6 cents each to Orient Zircon Resources (Australia) Pty Ltd to raise $1,980,000 for the continuing devleopment of the Newcastle Iron Recovery Plant and for working capital.

In August 2012, Austpac also announced the sale of EL 4521 to Orient Zirconic for $7.5 million. In December 2012 these funds were received.

Newcastle Iron Recovery Plant

The Newcastle Iron Recovery Plant project was conceived to recycle mill scale and spent pickle liquor from steel mills and produce iron chips or briquettes and strong hydrochloric acid for sale to industry. The project commenced during the second quarter of 2011 following the mid-April 2011 signing of agreements with Kronos International Inc., for the provision of $12.5 million to fund the construction, commissioning and initial operations of the Plant, together with other development work at Austpac's Newcastle facilities.

As described in shareholder updates, process modeling indicated that a number of changes to the flowsheet would improve the operability and flexibility of the Plant to enable it to process a wider range of materials. Following an extensive technical review by the engineering team, it was agreed to implement the improvements, which necessitated increasing the size of some equipment. Consequently the capacity of the iron chloride recycling section has doubled, which will result in greater revenue when the Plant reaches full capacity.

The process design of the Plant has now been fixed and the Piping and Instrumentation Diagrams ("P&IDs), which represent the detailed process flowsheets, have been frozen. Detailed drafting of these has been completed and this has been converted into a series of 3D models with piping and cabling layouts to assist ordering and Plant construction.

The project progressed steadily throughout 2011/12, commencing with detailed flowsheet development, plant design and ordering of long lead time equipment items. Construction work included foundations, process tower structures and ancillary buildings including the mill scale bulk storage shed and suspended plant room. Relocation of the bulk gas storage area, the motor control centre and the power supply upgrade are either well-advanced or complete. Most of the equipment required for the plant has been ordered and much of it has been delivered to site. Space limitations at our site necessitated the leasing of an off-site warehouse to store some equipment until required for installation.

Since the project's inception last year a number of engineers from Kronos' Leverkusen plant in Germany have visited Newcastle to familiarize themselves with our technology and to contribute their knowledge to the project and interact with Austpac's engineering team. This has included process engineers, project construction engineers and experts in computer modeling of chemical processes.

The mill scale storage and handling section is well advanced and the briquetter has been installed and commissioned using coke fines. Absorption columns for both the acid regeneration and Co2 removal sections have been delivered, as have air blowers for the fluid beds, fans and liquid ring compressors for gas handling, the 33,000V power supply step down transformer, the waste heat boiler, heat recovery stoves, and specialist high temperature valves for handling hot oxides and iron produced in the Plant.

Construction is scheduled to continue through the first quarter of 2013 and commissioning will commence during the second quarter with operations underway by mid-2013.

Nhill

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

During the period, an initial program of ground magnetic surveying at 1m station spacing was completed in the south-eastern portion of EL 5291. The high resolution measurements are very superior to the pre-existing 50m station spacing airborne data and are providing much more reliable models of the basement geology. More detailed ground magnetic surveys are planned as soon as access to land is possible following the crop harvest.

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 2012.

Subsequent Events

Subsequent to 31 December 2012, there has not arisen in the interval between 31 December 2012 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the consolidated entity in future financial years.

Signed in accordance with a Resolution of the Directors on 28 February 2013.

M.J. Turbott
Managing Director

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

To: the directors of Austpac Resources N.L.

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Shane O'Connor
Partner

Sydney

28 February 2013

Austpac Resources N.L. and its controlled entities

Condensed consolidated statement of comprehensive income
For the half-year ended 31 December 2012

	Note	6 months ending 31 Dec 2012 $	6 months ending 31 Dec 2011 $
Licence fee income	6	-	2,780,000
Profit on sale of EL4521	7	6,399,138	-
Administrative expenses		(1,841,004)	(2,086,211)
Results from operating activities		4,558,134	693,789
Finance income		36,284	83,051
Finance expenses		(15,912)	(21,907)
Net financing income		20,372	61,144
Profit/(loss) before tax		4,578,506	754,933
Income tax benefit		-	-
Net profit for the period		4,578,506	754,933
Other comprehensive income for the period net of income tax		-	-
Total comprehensive profit for the period		4,578,506	754,933
Basic and diluted profit/(loss) per share			
Cents		0.39	0.07

The condensed consolidated statement of comprehensive income is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 9 to 10.

Austpac Resources N.L. and its controlled entities

Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2012

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011	77,598,554	(54,085,258)	23,513,296
Profit	-	754,933	754,933
Other comprehensive income for the period	-	-	-
Issue of ordinary shares	154,000	-	154,000
Balance at 31 December 2011	77,752,554	(53,330,325)	24,422,229
Balance at 1 July 2012	78,756,554	(51,241,709)	27,514,845
Profit	-	4,578,506	4,578,506
Other comprehensive profit for the period	-	-	-
Issue of ordinary shares	2,906,000	-	2,906,000
Balance at 31 December 2012	81,662,554	(46,663,203)	34,999,351

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 9 to 10.

Austpac Resources N.L. and its controlled entities

Condensed consolidated statement of financial position
As at 31 December 2012

	Note	31 Dec 2012 $	30 June 2012 $
Current Assets			
Cash and cash equivalents		7,056,131	240,189
Trade and other receivables		916,749	1,216,616
Total Current Assets		7,972,880	1,456,805
Non-Current Assets			
Property, plant and equipment		398,059	434,630
Intangible assets	7	28,668,146	29,520,550
Total Non-Current Assets		29,066,205	29,955,180
Total Assets		37,039,085	31,411,985
Current Liabilities			
Trade and other payables		718,763	2,617,109
Interest-bearing loans and borrowings		77,195	73,141
Employee benefits		920,076	842,565
Total Current Liabilities		1,716,034	3,532,815
Non-Current Liabilities			
Interest-bearing loans and borrowings		323,700	364,325
Total Non-Current Liabilities		323,700	364,325
Total Liabilities		2,039,734	3,897,140
Net Assets		34,999,351	27,514,845
Equity			
Issued capital	9	81,662,554	78,756,554
Accumulated losses		(46,663,203)	(51,241,709)
Total equity attributable to equity holders of the parent		34,999,351	27,514,845

The condensed consolidated statement of financial position is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on page 9 to 10.

Austpac Resources N.L. and its controlled entities

Condensed consolidated statement of cash flows
For the half-year ended 31 December 2012

	Note	Six months ending 31 Dec 2012 $	Six months ending 31 Dec 2011 $
Cash flows from Operating Activities			
Cash received from licence fee income		-	2,780,000
Cash paid to suppliers and employees		(2,195,154)	(1,992,986)
Interest received		36,284	83,051
Interest paid		(15,912)	(21,907)
Income tax refund received		344,581	307,636
Net cash (used in) / provided by operating activities		(1,830,201)	1,155,794
Cash flows from investing activities			
Proceeds from sale EL4521		7,500,000	-
Payments for mineral technology development/exploration and evaluation		(1,650,847)	(4,371,948)
Net cash (used in) / provided by investing activities		5,849,153	(4,371,948)
Cash flows from financing activities			
Proceeds from the issue of share capital		2,833,500	-
Payment of finance lease liabilities		(36,510)	(32,941)
Net cash (used in) / provided by financing activities		2,796,990	(32,941)
Net increase/(decrease) in cash held		6,815,942	(3,249,095)
Cash and cash equivalents at 1 July		240,189	5,602,552
Cash and cash equivalents at 31 December		7,056,131	2,353,457

The condensed consolidated statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 9 to 10.

Austpac Resources N.L. and its controlled entities

Condensed notes to the consolidated interim financial report

1. Reporting Entity

Austpac Resources N.L. (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2012 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 2012 is available upon request from the Company's registered office.

2. Statement of Compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2012.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2013.

3. Significant Accounting Policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2012.

4. Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2012.

5. Going Concern

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

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

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

6. Revenue

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

7. Intangible Assets

Intangible assets are represented by mineral technology development and exploration assets. The ultimate recoupment of costs carried forward are dependent upon the successful development and commercial exploitation or sale of the respective areas and technologies.

Austpac sold EL4521 to Orient Zirconic for $7,500,000 during the half year ended 31 December 2012. EL4521 had a carrying value of $1,100,862 (including legal and tenement fees of $125,679), resulting in a gain on disposal of $6,399,138, which is included in the condensed consolidated of comprehensive income.

8. Segment Reporting

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

9. Capital and Reserves

Dividends

No dividends were declared or paid by the consolidated entity during the period (2011:nil).

In July 2012, Austpac completed a placement of 57 million fully paid ordinary shares at 3 cents each to raise $1,710,000 for the continuing development of the Newcastle Iron Recovery Plant and for working capital. 33,466,662 fully paid shares were issued prior to 30 June 2012. Subsequent to 30 June 2012, the remaining 23,533,338 shares were issued and paid.

In August 2012, Austpac completed a placement of 33 million fully paid ordinary shares at 6 cents each to Orient Zircon Resources (Australia) Pty Ltd to raise $1,980,000 for the continuing devleopment of the Newcastle Iron Recovery Plant and for working capital.

Terms and Conditions

Ordinary Shares

Holders of fully paid ordinary shares are entitled to receive dividends if declared and are entitled to one vote per share at shareholders meetings. There are no partly paid listed shares.

Partly Paid Shares

Holders of Austpac Resources N.L. Employee Share Purchase plan shares are entitled to the same rights as ordinary shareholders, including entitlements to dividends if declared, once the shares are paid in full. The amount of unpaid capital is $6,788,623 (June 2012: $6,788,623). In the event of winding up, ordinary shareholders rank after creditors.

10. Events subsequent to balance date

Subsequent to 31 December 2012, there has not arisen in the interval between 31 December 2012 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. Contingent Liabilities

There has been no significant change in the consolidated entity's contingent liabilities as set out in the annual financial report to 30 June 2012.

12. 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 2012.

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 10, 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 2012 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this twenty eighth day of February 2013.

Signed in accordance with a resolution of the directors:

Michael J. Turbott
Managing Director

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 NL is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty regarding continuation as going concern

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

KPMG

KPMG

Shane O'Connor
Partner

Sydney

28 February 2013