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QUARTERLY REPORT TO 30 JUNE 2017

HIGHLIGHTS

- During the quarter under review, Austpac significantly advanced the program to make 5 tonnes of reduced iron pellets at the Newcastle Zinc and Iron Recovery Plant (NZIRP) for testing in an Electric Induction Furnace (EIF) at a commercial foundry. The program's objective is to prove the Company's recycling process and produce samples of pig iron and zinc oxide for marketing purposes.
- At the NZIRP, existing pilot scale equipment has been modified and refurbished, and it will be operated sequentially through the Fluid Bed Evaporation ("**EVAP**"), Pyrohydrolysis ("**PYRO**") and Fluid Bed Pre-Reduction ("**FBPR**") stages, as described later in this report.
- An east coast-based Australian steelmaker has agreed to supply the furnace dusts and spent pickle liquor (SPL) required for the NZIRP proving program.
- Equipment at ground level in the solids preparation area has been modified to produce a slurry of furnace dust which will be fed directly along with SPL to the EVAP unit in the process tower.
- The evaporator has been extensively reconditioned and replacement parts have now been installed. Commissioning and production of iron chloride/iron oxide/zinc oxide pellets is planned for August 2017, which will prove the EVAP step.
- An existing large refractory-lined fluid bed roaster will be used for both the PYRO and FBPR process stages. Quotes for fabrication of a new lower section and plenum for the roaster are being reviewed, whilst the roaster cap and refractory-lined off-gas ducts are in the design phase.
- Encouraging results were obtained from the drill hole completed in May 2017 at Nhill. The hole passed through younger cover sediments to intersect 76.6m of Cambrian basaltic volcanics from 248.9 to the end of the hole at 324.5m, much of which is strongly to intensely altered. It is cut by epidote and calcite veins higher in the hole with quartz veining toward the base. Localised breccia zones contain sulphides with pyrite infilling on fractures. Two breccia zones were anomalous in zinc and gold; 0.5m from 308.4m contained 3.6% Zn and 0.44g/t Au, and 0.5m from 324.0m to the end of the hole contained 1.2% Zn and 0.20g/t Au. The nature of the alteration and mineralisation suggest it may represent the outer halo of a hydrothermal system peripheral to the drill site and have a porphyry copper-gold or volcanogenic massive sulphide origin. Further drilling in this essentially unexplored region of Victoria is warranted.
- Austpac is still awaiting advice from the company with a significant heavy mineral resource in Asia that it is ready to sign the licence and investment agreement negotiated in 2016 for the use of the ERMS SR synrutile process.
- Discussions with financial institutions for both working capital and project finance continue.

NEWCASTLE ZINC & IRON RECOVERY PLANT (NZIRP)

The pilot scale program, which involves making 5 tonnes of partially-reduced iron oxide pellets for melting trials to prove the final stage of Austpac's zinc-iron-hydrochloric acid recovery process, was further progressed during the quarter under review.

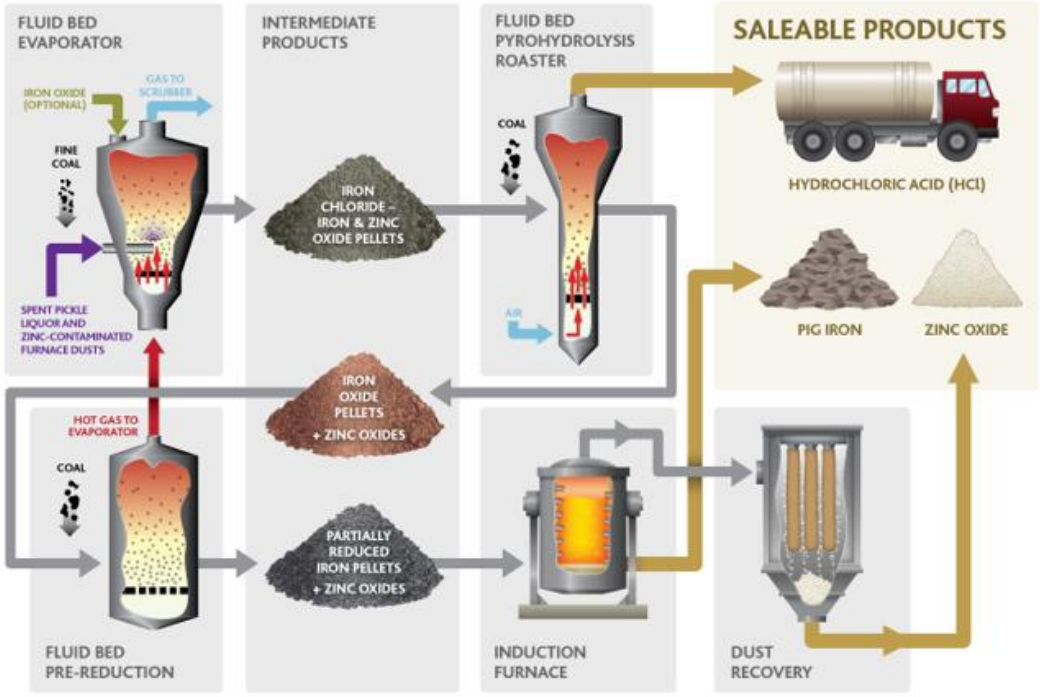
An east coast-based Australian steelmaker has agreed to supply sufficient raw materials to support Austpac's testwork program at Newcastle. The selected steel furnace dust predominantly contains iron oxides and some zinc minerals, which is typical of those produced during steel-making. The SPL is from the steelmaker's pickling lines. Both materials are being be delivered to the NZIRP where they will be stored in bunded areas until required for processing.

The furnace dust, which contains agglomerated particles, will be 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 operated to specification. The solids will be mixed with water in the ball mill and ground to a fine slurry which will be pumped from the discharge tank via the ring main to a holding tank adjacent to the Fluid Bed Evaporator (EVAP).

The existing EVAP unit required extensive reconditioning. A new plenum for the fluid bed has been installed, as has the off-gas stack for the scrubber. The gas burner for the EVAP unit is operational, as are the blowers and fans for the EVAP unit and the off-gas scrubber. Refurbishment and installation work is now essentially complete and the unit is scheduled for initial commissioning in early August 2017, which will be followed by production of iron chloride/iron oxide/zinc oxide pellets.

A single fluid bed roaster will be used for both the Pyrohydrolysis (PYRO) and Fluid Bed Pre-Reduction (FBPR) stages of the process. An existing refractory-lined roaster is being modified for these dual duties. A number of local and interstate groups have provided quotes for the fabrication of a replacement base and plenum for this roaster. The refractory-lined roaster cap and off-gas ductwork which will be integrated with the EVAP gas scrubbing system are in the design phase.

AUSTPAC'S ZINC-IRON-HCl RECOVERY PROCESS



EL 5291 NHILL

At Nhill, one exploration drill hole was completed in May to test the basement rocks beneath cover of much younger Murray Basin sediments for copper-lead-zinc mineralisation. The program is being co-funded by the Victorian Government under the TARGET Minerals Exploration Initiative. The drill target was developed through interpretation of magnetic and gravity data, together with the application of innovative geological concepts promulgated by the Geological Survey of Victoria. The vertical hole, referred to as drill hole GG-01, passed through the marine sediments using mud rotary equipment, before encountering competent basement 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 encountered within drillhole GG-01 consists primarily of basaltic volcanics. These rocks are considered analogous to parts of the Cambrian Mount Stavely Volcanic Complex, which is well known to the south-east of EL 5291 where the sediment cover is thinner. In much of the hole the basalt is strongly to intensely altered. It is cut by epidote and calcite veins higher in the hole with quartz veining toward the base, as well as by localised breccia zones containing sulphides and with pyrite infilling on fractures.

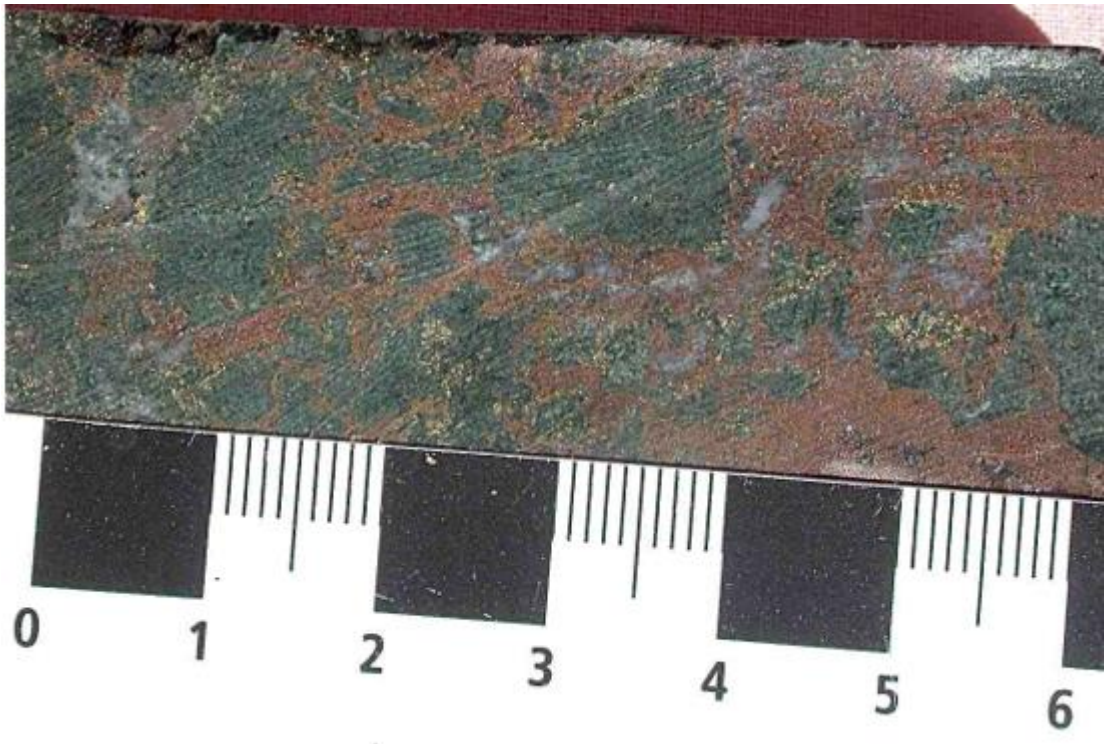
Two batches of core samples were submitted for geochemical analysis and one batch of core was submitted for petrological examination. Geochemical analyses have been received for the initial batch of 38 core samples, and analyses for the second batch of 31 samples are awaited (see table below).

Anomalous zinc and gold values were encountered in two breccia zones lower in the hole where abundant sphalerite (zinc sulphide) was observed. Two 0.5m core samples (down-hole length; true width is not known) from these zones contained:

From 308.0m to 308.5m, 0.5m at 3.6% Zn and 0.44 g/t Au

From 324.0m to 324.5m, 0.5m at 1.2% Zn and 0.20 g/t Au.

A photo of a 6cm section of core from 308.0m from the upper breccia zone is shown below:



Core sample 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.

The extent of the alteration, veining and sulphides infilling fractures in breccia zones, suggests the mineralisation in drillhole GG-01 represents a significant influx of fluids containing sulphide and base metals, which may be the outer halo of a hydrothermal system peripheral to the drill site. It is expected the remaining analyses will confirm the vertical extent of the anomalous mineralisation within this hole. The covered Cambrian basement in western Victoria is essentially unexplored, and to intersect mineralisation in the first core hole at Nhill is very encouraging.

Further drilling is warranted within EL 5291 to investigate the lateral extent of the mineralisation at this location and to seek the source of the narrow mineralised zones intersected in hole GG-01, which may have a porphyry copper-gold or volcanogenic massive sulphide origin.

TABLE OF INITIAL GEOCHEMICAL ANALYSES FROM DRILL HOLE GG-01

SAMPLE ID	FROM metres	TO metres	INTERVAL metres	Au ppm	Ag ppm	Cu ppm	Pb ppm	Zn ppm	Zn %
				ALS Au TL43	ALS ME ICP43	ALS ME ICP44	ALS ME ICP45	ALS ME ICP46	ALS Zn OG46
GGS001	234.0	243.0	9.0	0.00	0.4	159	28	408	
GGS002	243.0	248.9	248.9	0.00	0.3	78	19	233	
Pending*	248.9	250.2	1.3						
GGS003	250.2	251.1	0.9	0.00	<0.1	6	21	91	
GGS004	251.1	251.6	0.5	0.00	0.2	286	13	185	
Pending*	251.6	276.8	25.2						
GGS005	276.8	277.5	0.5	0.01	0.2	106	12	119	
Pending*	277.5	278.0	0.5						
GGS006	278.0	278.3	0.3	0.01	0.1	143	10	106	
GGS007	278.3	278.5	0.2	0.00	0.1	117	11	159	
GGS008	278.5	279.2	0.7	0.10	0.4	174	38	178	
Pending*	279.2	281.1	1.9						
GGS009	281.1	281.6	0.5	0.10	0.4	155	22	140	
GGS010	281.6	282.2	0.6	0.09	0.6	144	25	285	
GGS011	282.2	282.5	0.3	0.06	0.4	244	19	277	
GGS012	282.5	283.0	0.5	0.02	0.3	214	11	149	
GGS013	283.0	283.5	0.5	0.03	0.2	127	11	107	
GGS014	283.5	284.0	0.5	0.57	0.3	198	7	117	
GGS015	CRM-1	-	-	0.06	0.5	1,700	39	213	
GGS016	284.0	284.5	0.5	0.05	0.2	178	8	137	
GGS017	284.5	285.0	0.5	0.03	0.4	320	11	143	
GGS018	285.0	285.5	0.5	0.03	0.8	716	19	156	
GGS019	285.5	286.0	0.5	0.02	0.2	179	6	103	
GGS020	286.0	286.5	0.5	0.03	0.1	70	5	103	
GGS021	286.5	287.0	0.5	0.03	0.4	284	5	167	
GGS022	287.0	287.5	0.5	0.03	0.3	181	9	107	
GGS023	287.5	288.0	0.5	0.04	0.2	209	4	140	
Pending*	288.0	297.5	9.5						
GGS024	297.5	298.0	0.5	0.08	0.4	747	5	200	

	From	To	Interval	Au ppm	Ag ppm	Cu ppm	Pb ppm	Zn ppm	Zn %
GGS025	298.0	298.5	0.5	0.07	0.4	544	10	384	
Pending*	298.5	305.0	6.5						
GGS026	305.0	305.5	0.5	0.07	0.5	307	56	783	
GGS027	305.5	306.0	0.5	0.02	0.2	223	43	1,380	
GGS028	306.0	306.5	0.5	0.20	0.3	257	47	2,280	
GGS029	306.5	307.0	0.5	0.01	0.2	280	6	287	
GGS030	CRM-2	-	-	0.12	0.9	3,610	10	91	
GGS031	307.0	307.5	0.5	0.59	0.3	273	7	544	
GGS032	307.5	308.0	0.5	0.23	0.2	199	6	332	
GGS033	308.0	308.5	0.5	0.44	0.4	269	13	>10000	3.60
Pending*	308.5	311.5	3.0						
GGS034	311.5	312.0	0.5	0.02	0.2	257	8	255	
GGS035	312.0	312.5	0.5	0.04	0.2	266	22	365	
GGS036	312.5	313.0	0.5	0.02	0.1	165	8	170	
GGS037	313.0	313.5	0.5	0.09	0.2	219	5	192	
GGS038	313.5	314.0	0.5	0.22	0.2	205	12	311	
GGS039	314.0	314.5	0.5	0.01	0.1	157	3	150	
Pending*	314.5	324.0	9.5						
GGS040	324.0	324.5	0.5	0.20	0.8	619	5	>10000	1.20
	324.5	End of Hole	-	-	-	-	-	-	-

Notes:

1. Samples GGS015 and GGS030 are Certified Reference Samples (CRMs) inserted for quality control.
2. Pending* - Analyses for 38 samples of core are reported above. Analyses are pending for a further 31 core samples from within the Pending* intervals.

Mining Exploration Entities:

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

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NOTE: This report is based on and accurately reflects information compiled by M.J. Turbott who is a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists and is a competent person as defined in the Australian Code for Reporting of Identified Mineral Resources and Ore Reserves.

About Austpac Resources N.L. (ASX code: APG)

Austpac Resources N.L. [www.austpacresources.com] is a minerals technology company currently focused on recycling waste chloride solutions and zinc-contaminated iron oxide dusts produced by steelmaking to recover hydrochloric acid, iron metal and zinc oxide. Austpac's technologies also transform ilmenite into high grade synthetic rutile, a preferred feedstock for titanium metal and titanium dioxide pigment production. The Company has been listed on the Australian Stock Exchange since 1986.