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QUARTERLY REPORT TO 31 DECEMBER 2015

HIGHLIGHTS

- During the September quarter of 2015, Austpac, Ixom Operations Pty Ltd (formerly Orica Chemicals) and ABR Process Development agreed to evaluate the feasibility of modifying the Newcastle plant to recover concentrated hydrochloric acid, pig iron and zinc metal from chloride liquors (SPL) and furnace dusts produced by the galvanising and steel manufacturing industries. This will be achieved by integrating ABR's zinc recovery cell into Austpac's acid regeneration and iron recovery flowsheet creating a much improved facility termed the Newcastle Iron and Zinc Recovery Plant (NZIRP). Austpac undertook the preparation of a new mass and energy balance which was then used to produce preliminary capital and operating cost estimates for the revised plant. The results of this study were provided to Ixom and ABR during the fourth quarter of 2015.

- During December 2015, meetings were held to discuss the study and to refine the costings based on updated information on the availability of raw materials (SPL, mill scale and furnace dust) and the markets for the generated products (pig iron, zinc and HCl). The project economics were also updated. Once fully operational, the NZIRP will produce ~15,000 tonnes of pig iron, 6,600 tonnes of concentrated 33%w/w HCl and 3,700 tonnes of zinc per year, thus making the project economically robust.

- The work program prepared by Austpac to obtain the final design and project costs for the NZIRP prior to continuing construction at Newcastle was also discussed by the parties. Ixom is currently undertaking an internal approval process, following which further meetings will be held to reach agreement on structure, participation and project funding.

- Austpac and ABR are also discussing a closer cooperation arrangement to maximise the use of and benefits from their respective technologies.

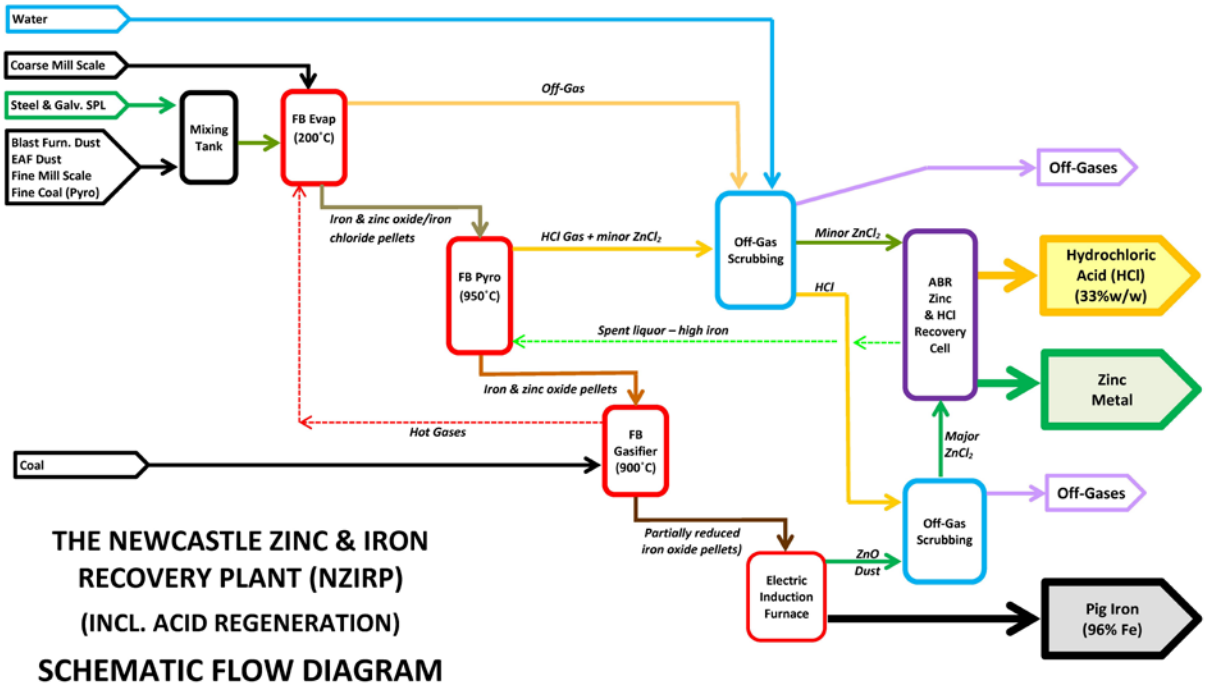
- Austpac Resources' Shareholder Share Purchase Plan which closed on 30 November 2015 was well supported by smaller shareholders resulting in the issue of 100,439,943 fully paid ordinary shares at $0.006 each to raise $602,640. These funds are being used to commercially progress the NZIRP and for working capital.

- Austpac is in discussions with an Australian finance house and an associated US finance group regarding a project finance facility of up to $15 million. The Company has also lodged a significant claim for an R&D tax concession refund for expenditure at Newcastle during the 2013-14 year. This will be used for working capital to advance the NZIRP project.

- Exploration Licence 5291 has been renewed for a term of four years. Austpac has applied for a grant for co-funding a geophysical and drilling program at Nhill under the Victorian Government's TARGET initiative.

NEWCASTLE ZINC & IRON RECOVERY PLANT

During the first half of 2015, Austpac recognised the potential of a technology developed by ABR Process Development (ABR) to broaden the scope of the Newcastle Iron Recovery Plant to enable it to process zinc-contaminated furnace dusts. Austpac has spent $18.5 million on the Newcastle plant, which was 85% complete and designed to produce briquetted iron and strong 25% hydrochloric acid . ABR's zinc recovery cell uses a patented membrane/electrolysis process to recover zinc metal and concentrated 33% HCl from mixed zinc-iron chloride waste solutions produced by the galvanising industry. By integrating that process into Austpac's EARS acid and iron recovery flowsheet, the Newcastle plant will be able to produce iron, zinc and concentrated HCl. A further enhancement is the replacement of the second stage of the iron reduction section with an induction furnace to produce pig iron, which is higher quality and therefore has higher value than briquetted iron. The modified plant will be unique as it will be able to recycle the often environmentally problematic chloride liquors and furnace dusts produced by the galvanising and the steel manufacturing industries.



In August 2015, Austpac and ABR met with senior executives of Ixom Operations Pty Ltd (Ixom) to discuss combining Austpac's and ABR's processes at the Newcastle plant. The parties agreed to evaluate the economics of the modified plant, with the objective of funding the completion of construction, commissioning and commencement of production. This necessitated generating updated inputs and outputs, and capital and operating costs for the revised project, which is now termed the Newcastle Zinc and Iron Recovery Plant (NZIRP).

During the third and fourth quarters of 2015, Austpac developed a mass and energy balance for the NZIRP from which the Plant's inputs and outputs could be derived. Austpac was then able to estimate the Plant's capital and operating costs, which will produce 15,000 tonnes of pig iron, 6,600 tonnes of concentrated 33% HCl and 3,700 tonnes of zinc per year.

The modifications to the Plant will reduce process risk, improve Plant reliability, and significantly enhance profitability, thus making the NZIRP economically robust.

During December 2015, the study results were reviewed by Ixom and ABR, who also provided updated information on the availability of raw materials (SPL, mill scale and furnace dust) and the markets for the ensuing products (pig iron, zinc and HCl). The parties also discussed the program necessary to obtain the final design and a definitive capital cost for the NZIRP before continuing construction at Newcastle. Ixom is presently undertaking an internal approval process which Austpac anticipates will lead to agreement on a structure to fund and develop the project.

The combined technologies will have applications in mini-mills which are widely used in the USA, Europe and many other countries to produce iron and steel. The technology to recycle zinc-contaminated SPL and electric arc furnace (EAF) dusts and iron-rich SPL and furnace dusts from the steel industry to produce concentrated hydrochloric acid, pig iron and zinc metal is unique.

EL 5291 NHILL

In early November 2015, Austpac was advised that Exploration Licence 5291 (Nhill) had been renewed for a term of 4 years. The renewed licence covers an area of 298 sq. km. and will expire in August 2019.

Austpac's application for financial support under the Victorian State Government's TARGET Minerals Exploration Initiative was lodged in December 2015. The application proposes geophysical surveying, drilling, geochemistry, petrology and integration with recently published government data. It is expected that successful applicants will be notified during the first half of 2016.

Mining Exploration Entities:

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

For further information please contact:

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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 iron oxides produced by steelmaking to recover hydrochloric acid and iron metal. 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.