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SHAREHOLDER UPDATE **NHILL DRILLING PROGRAM**

On 5th May 2019, Austpac commenced a drilling program at Nhill in western Victoria to follow up the highly encouraging zinc-gold intercepts in Cambrian basement volcanics encountered in the discovery drillhole, GG-01. Interpretation of subsequent ground magnetic and gravity surveys indicates two north westerly-trending targets which could represent thick lenses of Volcanic-Hosted Massive Sulphide (VHMS) mineralisation, analogous to the narrow, well-mineralised intercepts in GG-01.

The new hole, GG-02, was located 400m to the south-east of GG-01, and inclined at 55° degrees to test the central portion of the western target zone. The hole was designed to pass through the 250m thick sequence of unconsolidated Murray basin sediments with mud rotary drilling, before commencing diamond drilling to obtain core to a depth of approximately 400m below surface from the underlying basement.

Unlike GG-01, a vertical hole, GG-02 encountered unexpectedly difficult ground conditions deep in the overlying sediments, possibly exacerbated by the angle of the hole. Mud rotary HQ casing was used to a depth of 188m. Narrower diameter NQ rods were then used to continue the hole until 270m, when the rotary bit could not progress because it had reached the hard basement volcanic gravels. As the HQ casing could not be advanced from 188m, commencing expensive diamond drilling at 270m with 88m of NQ drill rods unprotected by casing, would entail the very high risk that the soft sediments would squeeze onto the rods and the entire drill string would be lost. It was therefore decided to stop drilling operations immediately, defer the program and re-drill the target at a later date using different equipment.

The discovery in GG-01 of VHMS massive sulphide mineralisation at the unexplored north-western end of the Stavely Arc, an ancient volcanic island arc hidden beneath 250m of cover sediments is highly encouraging. The two targets subsequently delineated by geophysics are as yet untested. The mineralisation in GG-01 is interpreted as being the distal end of one of the targets, and therefore follow up drilling is warranted. Austpac is the only company with an exploration tenement in this prospective region of the Stavely Arc that is actively exploring beneath the thick cover of Murray Basin sediments. The opportunity for discovery of hitherto unknown VHMS deposits far outweighs the challenge of drilling through the sediments.

Austpac therefore plans to restart drilling at Nhill after the winter crops have been harvested and during dry weather conditions.

Terry Cuthbertson
Chairman

NOTE: This report is based on and accurately reflects information compiled by M.J. Smith, FAIG, RPGeo, who is a competent person as defined in the Australian Code for Reporting of Identified Mineral Resources and Ore Reserves.