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QUARTERLY REPORT TO 30 JUNE 2018

HIGHLIGHTS

- The testwork program at Austpac's Newcastle plant is designed to demonstrate that the Company's four-stage Zinc Iron Recovery Process (ZIRP) can commercially produce pig iron, zinc oxide and strong hydrochloric acid from iron and zinc oxide-rich furnace dusts and spent pickle liquor (SPL) generated by the steel industry. The first three process stages (Evaporation, Pyrohydrolysis and Pre-Reduction) are being undertaken at the plant and will produce reduced iron pellets for melt tests in an electric furnace at a commercial foundry. The program has attracted the interest of both domestic and international companies in this quarter.

- The original testwork plan required the installation of a new fluid bed roaster for the Stages 2 and 3. The new plan is to use or modify existing equipment to provide proof-of- concept for each of the four process stages and produce sufficient samples of pig iron and zinc oxide for market evaluation, rather than the larger tonnages originally envisaged. This will significantly reduce the cost and time of the program.

- Work at the plant has focused on the critical first process stage; the EVAP (Evaporation) unit. During the previous quarters ideally-sized mixed oxide-chloride pellets were produced, but steady state operation was not achieved due to mechanical issues. During the current quarter, the gas supply was upgraded, a new EVAP pellet discharge system and replacement pumps were installed, and a further production run was undertaken. A total of 500kg of oxide-chloride pellets has been produced to date and a further 500kg will be produced as feedstock for the downstream stages.

- Discussions and negotiations for the use of Austpac's recycling technology are currently progressing with steel mills in Australia, South Africa, China and the USA, and are now well-advanced with one group. It is anticipated that other commercial agreements will be finalised once the test program is completed and the final products are evaluated by all interested parties.

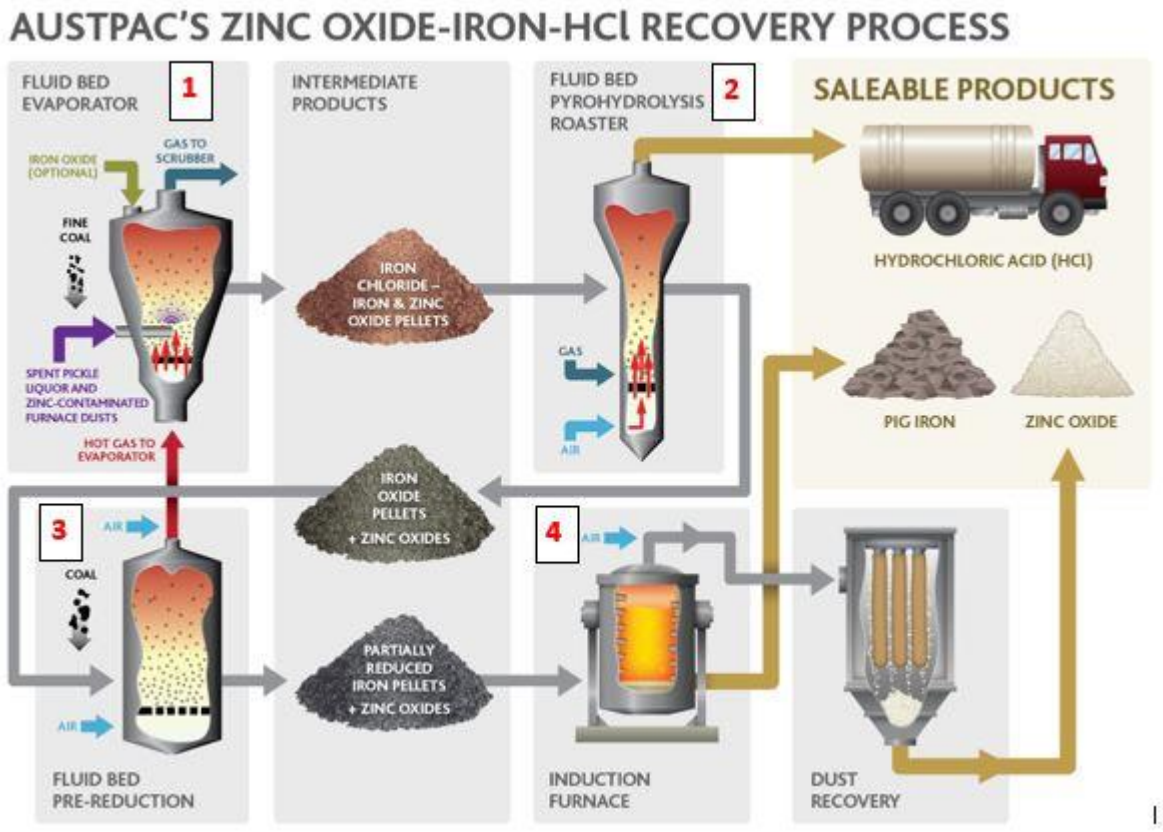
- Austpac's discovery at Nhill of significant zinc-gold mineralisation in strongly altered basalts in diamond drill hole, GG-01, is the first discovery at the northern end of the newly recognised ancient island arc; the Stavely Arc. Follow-up drilling is required to establish the source of the mineralisation, as there is potential for the discovery of either volcanic-hosted massive sulphide or porphyry deposits. Discussions continue with potential joint venture partners.

- Since the end of the quarter, Austpac finalised a placement of 90 million fully paid ordinary shares at $0.002 with Australian investors to raise $180,000.

- In July 2018, the Converting Note Agreement between Austpac and the Bergen Global Opportunity Fund II, LLC ("Bergen"), announced to the market on 11 January 2018, terminated by mutual consent of the parties. The converting notes issued under the Agreement have been converted in full. The funds raised under the Agreement were utilised for working capital and the progression of the Newcastle Zinc Iron Recovery project and international applications of Austpac technologies.

The Newcastle Zinc & Iron Recovery Plant (NZIRP)

The objective of the proof-of- concept testwork program at Newcastle is to treat iron and zinc oxide-rich steel furnace dust and SPL through the first three process stages [Evaporation, Pyrohydrolysis and Pre-Reduction] to produce reduced iron and zinc oxide pellets which will be melted in an electric furnace at a commercial foundry to produce pig iron and zinc oxide for market evaluation. While electric furnaces have been used for over 100 years, they generally melt scrap steel to make iron products, so testing of Austpac's reduced iron pellets is essential for proving Stage 4 of the ZIRP process.



The testwork program commenced with the critical first process stage, Evaporation. In Stage 1, furnace dusts are slurried with water and fed together with SPL into the EVAP unit to produce solid mixed iron chloride / iron & zinc oxide pellets. During the past and current quarters, operations have proceeded on a campaign basis and ideally-sized mixed oxide-chloride pellets have been produced. Each campaign has identified areas for improvement (e.g. upgrading of the slurry and SPL feed and the oxide-chloride pellet discharge systems, replacement pumps, etc.) so that the EVAP unit can reach steady state operations at ~100kg/hour, which is well above original design capacity. To date 500kg of oxide-chloride pellets have been produced and a further 500kg will be produced for downstream processing.

The original plan for Stages 2 (PYRO) and 3 (FBPR) involved the fabrication, installation and commissioning of a new fluid bed roaster, as it was planned produce 5 tonnes of reduced iron pellets for the Stage 4 melt tests. Following a review of the time and cost involved to commence operations with the new roaster, it has been decided to modify and recommission the old reduction roaster used in 2007-08. The plan now is to produce 500kg of reduced iron/zinc oxide pellets for Stage 4, which will be sufficient to produce samples of pig iron and zinc oxide for market evaluation. This activity will commence as soon as funds are available.

During the Quarter, discussions and negotiations have advanced with Australian and international steel producers and are well-advanced with one group. These include;

- An Australian steelmaker which has closely followed the testwork program since its inception.

- South Africa – during a visit early in the Quarter, Colin Iles established there is a strong focus on by-product treatment and recycling steel mills are seeking ways to reuse their furnace dusts and he identified some immediate opportunities. A number of mills have been contacted and information exchange has commenced with one organisation.
- USA – during the Quarter, Colin Iles also visited one EAF steel mill that produces zinc-contaminated furnace dusts that are an expensive disposal problem. The mill is interested in ZIRP technology and envisages that a plant built to process the steel mill dusts from the region would be attractive. Austpac plans to keep this group abreast of the testwork program and to commence commercial discussions once the program has been completed.
- China – the chief executive of a large integrated steel mill recently visited Austpac in Sydney for discussions regarding the implementation of ZIRP technology both in Australia and in China. This is a new development that will be reviewed by the board of the steel company.

EL 5291 Nhill

In 2017, assisted by a grant from the Victorian Government, Austpac tested a gravity and magnetic anomaly by drilling the first core hole in the Nhill-Dimboola belt. The hole passed through Murray Basin sediments before intersecting the basement at 249m and obtaining 76m of diamond core. The basement consists of primarily increasingly strongly to intensely altered basaltic volcanics, with sulphide mineralisation deposited in fractures, along breccia boundaries and in voids. Pyrite is predominant but is often accompanied by significant sphalerite (Zn), minor finely disseminated chalcopyrite (Cu) and anomalous gold. Intercepts included 0.5m (308.0-308.5) containing 3.60% Zn and 0.44g/t Au, and 0.5m at the end of the hole containing 1.20% Zn and 0.2g/t Au.

In late June 2018, Austpac attended a conference hosted by the Geological Survey of Victoria, in conjunction with Geoscience Australia, which presented the results of joint work undertaken by the two groups to encourage exploration in the newly-defined Stavely Arc. This is a Cambrian-aged north-west trending island arc is buried beneath younger Murray Basin sediments. GeoVic and GA consider the Stavely Arc is prospective for volcanic-hosted massive sulphide and porphyry copper deposits, and Austpac's discovery at Nhill is the first evidence of this potential.

The conference also included a half day visit to the GeoVic core storage facility, where the core of the GeoVic/GA stratigraphic drill holes was displayed, along with core from mineralised systems over 100kn south-east of EL 5291. The mineralised core from Austpac's GG-01 hole was also on display, which created considerable interest from exploration companies, including discussion whether the mineralisation is related to a massive sulphide or a porphyry source. Austpac's recent analyses of sulphur isotopes in the mineralisation from GG-01 indicate a volcanic-hosted massive sulphide origin is more likely.

Since the conference, one company has signed a confidentiality agreement with a view to an exploration joint venture and discussions will continue with other groups regarding ongoing exploration at EL 5291, Nhill.

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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. is a mineral technology company currently focused on recycling waste chloride solutions and iron- and zinc oxide dusts produced by steelmaking to recover strong hydrochloric acid, high purity pig iron and zinc oxide. Austpac's adjunct 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.