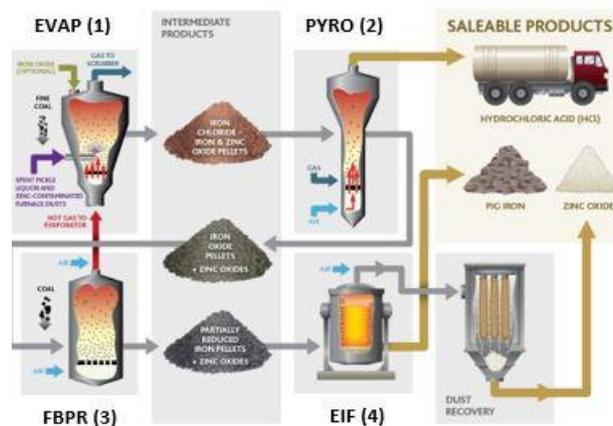


QUARTERLY REPORT TO 31 DECEMBER 2019

AUSTPAC'S ZINC & IRON RECOVERY PROCESS (ZIRP) PROOF OF CONCEPT TESTWORK PROGRAM COMPLETED DURING THE QUARTER

The planned Proof of Concept (PoC) testwork program was completed on 8th November. The objective of this program was to process zinc-contaminated steel furnace dust (BOF filter cake) and Spent Pickle Liquor (SPL) through the first three stages of Austpac's Zinc & Iron Recovery Process (ZIRP) and produce a reduced iron oxide-zinc oxide material for melting tests in an induction furnace, which is the last process stage.

The program commenced with the Evaporation stage (EVAP) to convert filtercake and the SPL to solid iron oxide-iron chloride pellets. The EVAP pellets were campaigned through a dual-purpose fluid bed roaster operating in Pyrohydrolysis (PYRO) mode to produce solid iron oxide-zinc oxide pellets. These pellets were then processed through the roaster operating with excess fuel to partially reduce the iron in the PYRO pellets so they are suitable for feeding to an induction furnace.



Austpac's ZIRP Process for Recycling Zinc-Contaminated Furnace Dust

To ensure the melt tests are undertaken to industry standards, the Company signed a Technical Services Agreement with the CSIRO's Mineral Resources High Temperature Chemistry Division at Clayton Victoria. Samples were sent to CSIRO in December 2019. CSIRO has advised us that an initial melt test has been completed and they are awaiting analyses of the iron products before providing a report on their work.

Three steel companies visited the Newcastle plant during the test program, and one of these took samples of the raw materials and of the products from each process stage. This group is conducting detailed chemical and physical analyses of the samples they obtained, and they undertook to provide the results to Austpac and to assist our assessment.

The PoC program demonstrated the technical capabilities and proved the first three stages of the ZIRP process. Once all test results are received, further work in 2020 is planned at the plant to obtain additional product samples

SALE OF A TECHNOLOGY PACKAGE TO LIDO HOLDINGS

In April 2019, Tangshan Yanshan Iron and Steel Company of China became a significant shareholder of Austpac through a share placement which provided \$805,000 for the Company's testwork program designed to demonstrate the first three stages of the ZIRP process.

In mid-September 2019, Austpac Resources announced that a synthetic rutile technology package developed by the Company in 2006, had been sold to Lido Holdings Limited (British Virgin Islands) for \$1.5 million. Lido is a wholly-owned subsidiary of Yanshan. The technology package comprised information contained in an internal conceptual study undertaken by Austpac in 2006 into an ERMS synrutile rutile plant in Australia (the Study). The Chinese companies have the right to use the information for their own purposes in China. It is not a licence and does not represent the sale or transfer of ownership of any of Austpac's Intellectual Property.

Yanshan has assembled a team in China to evaluate the Study information and during the December 2019 Quarter, Austpac assisted Yanshan with interpretation of the Study data. Austpac will continue to assist Yanshan with their evaluation in 2020.

THE 2020 EXPLORATION PROGRAM COMMENCES AT NHILL

In 2017, Austpac completed a vertical exploration drill hole to test a basement gravity and magnetic anomaly beneath a thick cover of younger Murray Basin sediments. The hole encountered basement at 249m and obtained 76m of diamond core containing strongly to intensely hydrothermally-altered basaltic volcanics with sulphide mineralisation in fractures, along breccias boundaries and in voids. Predominant pyrite 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. This mineral assemblage is typical of the outer halo of a hydrothermal system, which is highly encouraging as there had been negligible exploration in the region because of the thick cover of younger sediments. The mineralisation is open at depth and follow up drilling is required to establish its lateral extent.

Subsequent examination of the core in GG-01 identified pyrrhotite, a magnetic mineral commonly associated with Volcanic Hosted Massive Sulphide (VHMS) mineralisation. Subsequent detailed geochemistry and isotope analyses supported this conclusion, so attention turned to low amplitude magnetic features in the close spaced ground magnetic data. Two permissive magnetic features were recognised. The western magnetic body is 600m in length and trends towards the collar of GG-01, which is located off the end of that magnetic feature. The second magnetic feature located several hundred metres to the east is twice as long as the western body. These north westerly-trending targets could represent lenses of VHMS mineralisation, analogous to the narrow, well-mineralised intercepts in GG-01.

In 2019, Austpac undertook a drilling program to follow up the mineralisation encountered in 2017. The new hole 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 drill hole encountered unexpectedly difficult ground conditions deep in the overlying sediments, possibly exacerbated by the angle of the hole. It was not possible to extend the drill casing beyond 188m, and while the drill rods reached the gravel directly above the basement at 270m, there was a high risk that the entire drill string could be lost as a result of soft sediment squeezing the uncased rods. Drilling operations were therefore stopped immediately, and it was planned to re-drill at Nhill using different equipment once the winter crops had been harvested and during dry weather conditions.

The discovery of VHMS massive sulphide mineralisation in GG-01 at the unexplored north-western end of the Stavely Arc, a buried ancient volcanic island arc, is highly encouraging. The two targets delineated by geophysics within EL 5291 are as yet untested. The mineralisation in GG-01 is interpreted as being the distal end of one of the targets. The opportunity for discovery of hitherto unknown VHMS deposits at Nhill far outweighs the challenge of drilling through the sediments.

Plans for the 2020 program at Nhill are now being finalised. It was decided to refine the two targets with closer-spaced ground magnetic and gravity surveys. A geophysical contractor who undertook the previous gravity-magnetic surveys at Nhill has commenced this work and modelling and interpretation of the results should be completed in February. Discussions are underway to select a drilling contractor with the suitable equipment and experience to ensure the targets are adequately tested. It is expected drilling will recommence during the second quarter of 2020.

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 furnace dusts produced by steelmaking to recover hydrochloric acid, pig iron and zinc. 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.