

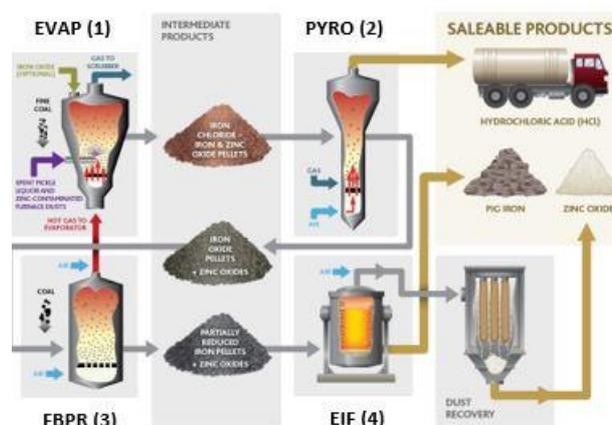
QUARTERLY REPORT TO 31 MARCH 2020

- Since the onset of the Covid-19 pandemic, Austpac has complied with social distancing and employees have worked from home. All site project activity has been suspended until a clear direction has been set by the government.
- The melt tests undertaken by the CSIRO indicate that the reduced iron oxide produced from the third ZIRP process step can produce high value ductile pig iron
- Modelling of new geophysical data obtained at Nhill during the current quarter indicates that of the two targets previously identified, further work should initially focus on the southeast target because the significant gravity and magnetic response is permissive for VHMS mineralisation.

AUSTPAC'S ZINC & IRON RECOVERY PROCESS (ZIRP) PROOF OF CONCEPT PROGRAM

The objective of the Proof of Concept (PoC) program completed in November 2019, was to process zinc-contaminated steel furnace dust (BOF filtercake) 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 (the last process stage).

This included forming solid iron oxide-iron chloride pellets from filtercake and SPL in the Evaporation stage (EVAP), converting the EVAP pellets into solid iron oxide-zinc oxide pellets in a fluid bed roaster in the Pyrohydrolysis stage (PYRO), and then treating the PYRO pellets in a fluid bed roaster to partially-reduce the iron in the PYRO pellets during the Fluid Bed Pre-Reduction stage (FBPR) so they are suitable for the melt tests, .



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

Samples from the first three process stages were collected by Austpac for analysis. Representatives of an Australian steelmaker who observed the November 2019 PoC test run also took samples for analysis. During December 2019, a sample of the pre-reduced metal oxide was sent to the CSIRO's Mineral Resources High Temperature Chemistry Division at Clayton Victoria to undertake the melt tests.

POSITIVE RESULTS FROM THE POC TEST PROGRAM

In February 2020, Austpac received the results of chemical analyses of samples taken during the PoC. The Company was also provided with a comprehensive set of analyses and the results of other studies undertaken on the samples from each process stage that were collected by the Australia steelmaker. These results confirmed the results obtained in January by Austpac.

Iron

One melt test was undertaken by the CSIRO on a sample of the pre-reduced iron representative of the third process stage. The objective was to determine the quality of the iron produced during the test produced during the test. The analyses show that:

- The pre-reduced iron oxide produced a clean iron with very low impurities (95.6% Fe; carbon (C) made up the balance of the sample. Carbon was added to the sample as a reductant, as is the normal practice in electro-smelting).
- The iron is ideal for making high purity (ductile) pig iron for use in foundries, which is a high value product.

Zinc

The zinc oxide reported with fine iron oxide to the scrubber dust during the second process stage. A sample of this material has now been pre-reduced in a fluid bed roaster, and it is being processed in a second melt test by the CSIRO designed to capture a zinc oxide product for evaluation. This is expected to be a very pure product

The quality of the iron product and its potential for the production of high-grade pig iron is very positive.

THE 2020 EXPLORATION PROGRAM 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. This comprised pyrite, often accompanied by significant sphalerite (Zn) 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.

The core also contained pyrrhotite, a magnetic mineral commonly associated with Volcanic Hosted Massive Sulphide (VHMS) mineralisation, so Austpac's close-spaced ground magnetic data was re-examined. Two low amplitude magnetic features were recognised; the western magnetic body is 600m in length and trends towards GG-01, which is located off the end of that magnetic feature, and a second magnetic feature located several hundred metres to the

east that is twice as long as the western body. These targets could represent lenses of VHMS mineralisation, analogous to the narrow, well-mineralised intercepts in GG-01.

In May 2019, Austpac commenced a drilling program to follow up the mineralisation encountered in 2017. This was designed to test the central portion of the western target zone with an angle hole. Unexpectedly difficult ground conditions were encountered deep in the overlying sediments, and as there was a high risk that the entire drill string could be lost, drilling operations were terminated until a solution to the problem of soft sediment squeezing could be found.

During the first quarter of 2020 a closer-spaced ground magnetic and gravity survey was undertaken to refine the two targets.

- 21 line kilometres of high resolution ground magnetic data (station spacing 0.4 to 0.5m). The new lines were located in between the previous lines, so the new profiles verified the earlier data and added detail to small changes in the character of the basement geology from line to line.
- a limited gravity survey had previously been completed to identify any possible high-density units (such as massive sulphides) within the basement. 125 new gravity stations at 50m spacing; two lines to the NW of the previous four lines, and on two lines to the SE of the previous four lines were completed. The new gravity results confirm the interpretation that the drill intersection in Hole GG-01 is very small, as there is no anomaly directly over that part of the basement, and suggests that future drilling should initially focus on the more significant magnetic and gravity response from the southeast target.

Modelling of the results suggests that the basement contains multiple layers of steeply dipping lenses of sulphides containing magnetic minerals. 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 are completely untested, and the potential for discovery of VHMS deposits at Nhill far outweighs the challenge of drilling through the sediments.

Despite our enquiries since mid-2019, no drilling contractors are presently available in Victoria with the suitable equipment and experience to ensure the targets are adequately tested. The impacts of the COVID-19 Pandemic have presently restricted our capacity to work in Victoria.

In addition, Austpac's exploration licence EL 5291 expired in August 2019, and our application for renewal was lodged in July 2019 prior to the expiry. However, an application for a second renewal requires Ministerial approval and we are still waiting for a decision. We are attempting to expedite the approval as we believe there are no grounds for a refusal, but further drill planning is on hold pending the decision of the Minister's delegate.

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.