



AUSTPAC RESOURCES N.L.
ACN 002 264 057

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28 April 2017

The Manager
Company Announcements
Australian Stock Exchange Limited
Exchange Centre
Level 6
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

RE: AUSTPAC RESOURCES N.L.
QUARTERLY REPORT FOR PERIOD ENDED 31 MARCH 2017

We are pleased to provide Quarterly Report for the period ended 31 March 2017 for immediate release.

Yours faithfully

N.J. Gaston
Company Secretary

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QUARTERLY REPORT TO 31 MARCH 2017

HIGHLIGHTS

- During the last quarter of 2016, Austpac committed to a program to make 5 tonnes of reduced iron pellets at the Newcastle Iron and Zinc and Iron Recovery Plant (NZIRP) for testing in an Electric Induction Furnace (EIF) at a commercial foundry. This will produce sufficient samples of pig iron and zinc oxide that will prove the Company's recycling process is commercially viable and attract the interest of steel industry participants both in Australia and internationally.
- In March 2017, Mr. Colin Iles was appointed as a Director of Austpac Resources N.L. His experience in the steel industry and in international trade, business development and technical projects significantly augments Austpac's management and technical team.
- Over 60% of the steel produced in the USA is made using Electric Arc Furnaces (EAF's) which each year produce hundreds of thousands of tonnes of furnace dusts. The potential for Austpac's recycling process is significant and further development of north American opportunities will be undertaken in the second half of 2017 following the production of pig iron and zinc oxide during the process-proving testwork program at Newcastle.
- A program to drill a deep vertical hole to test a geophysical target in the basement rocks beneath approximately 150m of cover sediments for copper-lead-zinc mineralisation will commence at Nhill in early May 2017. This program is co-funded by the Victorian Government.
- The draft licence and investment agreement with a company to use the ERMS SR process to produce high grade synrutile feedstock for the titanium sponge industry from a significant heavy mineral resource in Asia is still awaiting final approvals to sign the agreement.
- In March 2017, Austpac completed a placement to professional investors of 19,000,000 fully paid ordinary shares at 1 cent each to raise \$190,000. The funds are being used for working capital and to progress the application of Austpac's technology both at Newcastle and internationally.
- A 2016 Research and Development tax concession refund of \$1,506,552 was also received in March 2017. The funds are being used for the testwork program underway at Newcastle which will produce marketing samples of pig iron and zinc oxide from steel industry furnace dusts and spent pickle liquor.
- Discussions with financial institutions for both working capital and project finance continue.

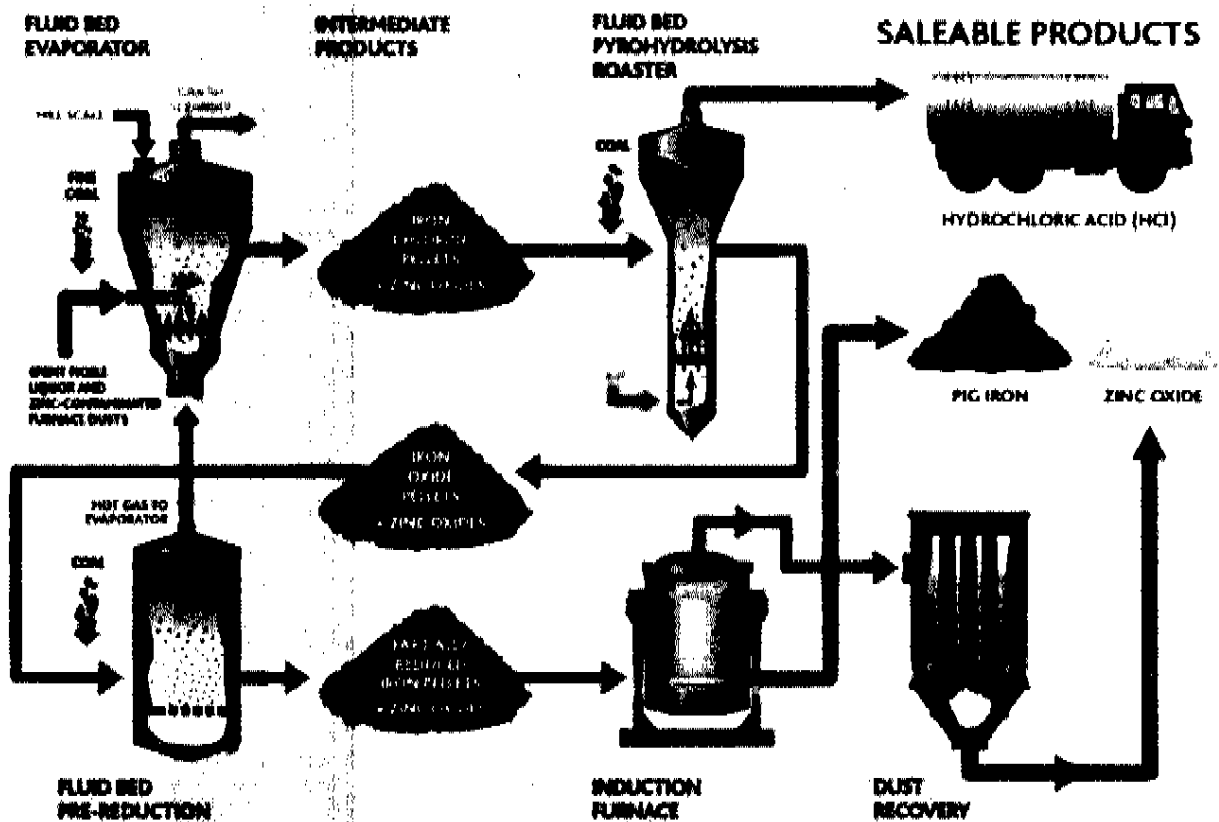
NEWCASTLE ZINC & IRON RECOVERY PLANT (NZIRP)

Austpac's process to recover iron, zinc oxide and hydrochloric acid (HCl) from steel industry furnace dusts and spent pickle liquor has been proven over the past ten years by extensive small scale testwork at Newcastle. At that time, the process comprised four stages: an initial evaporation stage to make a composite iron oxide/zinc oxide/iron chloride pellet, followed by a fluid bed roasting stage to produce a solid iron oxide/zinc oxide pellet

and strong HCl which is collected from the off gases, and then a two stages of fluid bed reduction roasting to produce iron pellets, which could be briquetted. Any volatile metals fumed off during the second reduction stage, but the process could not handle furnace dusts with high levels of zinc.

During 2015-16, Austpac evaluated a number of ways to successfully process zinc-contaminated dusts and decided to replace the second fluid bed reduction step with an electric induction furnace (EIF). This gave the benefit of producing higher value pig iron, and the volatile metals including zinc could be collected as oxides from the EIF off-gas using a bag house.

The ability to recover pig iron, strong HCl and zinc oxide from zinc-contaminated dusts from the steel industry is unique and in November 2016, Austpac lodged a patent application entitled "Processing of Zinc-Containing Waste Materials" to protect this new recycling process. The application is progressing through the normal approval channels.



AUSTPAC'S IRON-ZINC-HCL RECOVERY PROCESS

The final step of using an EIF to produce pig iron and zinc oxide had not been proven as insufficient samples of partially-reduced mixed oxide pellets had been produced by the earlier work. Austpac's management and technical team therefore developed a strategy to use the pilot scale equipment at Newcastle to produce five tonnes of the partially-reduced pellets equipment at Newcastle for testing in an EIF at a commercial foundry. This will produce sufficient samples of pig iron and zinc oxide to prove the entire recovery process.

The process-proving testwork program commenced in March 2017. Rather than configure the existing equipment which has not been used for some time, it was decided to refurbish and modify the evaporator and produce a large sample of oxide/chloride pellets. An existing fluid bed roaster is being adapted to undertake both the pyrohydrolysis and partial reduction steps. Drawings for the fabrication of the roaster modifications have been commissioned. During May 2017, the solids delivery system completed in 2012 and designed to handle mill scale, will be recommissioned and modified to process the fine furnace dusts for delivery to the evaporator as a slurry. New off-gas ducting will be installed, the gas scrubbing equipment will be re-established together with the water and electrical supply to the plant.

The program will be well-advanced and it is anticipated that sections of the modified plant will be commissioned during the coming quarter. Discussions have been held with steel-producers regarding the availability of furnace dusts and SPL and a satisfactory arrangement has been made for supply of these items. It is anticipated that the trials using an EIF at a foundry will be completed during the July-September quarter of 2017.



FUTURE OPPORTUNITIES IN THE USA

During 2016, Austpac reviewed a number of opportunities with a group of industrialists in the USA who recognised that Austpac's technologies could be used to recycle EAFD in that country. The USA is the third largest steel producer in the world, over 60% of which is made in electric arc furnaces that generate large volumes of waste dust. A number of sites in the steel-producing region in the northeast of the country were identified, but the opportunities could not then be advanced until Austpac could demonstrate that the improvements to process could produce pig iron, zinc oxide and strong hydrochloric acid.

Once the pilot scale testwork program underway at Newcastle proves the final step in Austpac's furnace dust recycling process, and encouraged by the recent upswing in the US steel industry, the opportunities in the USA will be able to be advanced with a marketing campaign during the second half of 2017.

ERMS SR SYNRTILE TECHNOLOGY LICENCE

In 2016, Austpac was approached by a company with a significant heavy mineral resource in Asia regarding a licence to use the Company's ERMS SR synrutile process. A draft licence and investment agreement was negotiated with that company which included assisting with a scoping study followed by a bankable feasibility study, with the objective of establishing an entity to manage the construction and operation of an ERMS SR Plant.

The company is still awaiting final approvals in order to sign the agreement.

EL 5291 NHILL

Exploration at Nhill advanced during the quarter following the completion of the Milestone One field work program last December, which included geophysical surveying and interpretation. This was the first stage of the co-funding Grant Agreement with the Government of Victoria under the TARGET Initiative designed to stimulate investment in western Victoria. During the quarter Austpac completed all necessary reporting requirements, and the Company has now received the Government's 50% contribution.

Milestone Two entails a vertical drillhole to obtain high quality diamond core from the basement of Cambrian rocks, which are believed to be prospective for copper-lead-zinc mineralisation. Recent planning has involved negotiation of an access agreement with the owner of the land selected for the drillhole, the registration of that agreement with the Government, compliance with other obligations for such work under the Mining Act, the acquisition of a water licence, and the organisation of accessory equipment and personnel for the drilling program.

Mobilisation of the drill rig has been hampered by recent heavy rains in the Nhill region, but the equipment is expected to be on site in early May 2017. The drillhole will be completed in the second quarter of 2017.

Mining Exploration Entitles:

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

For further information please contact:

Mike Turbott

Managing Director - Tel (+61 2) 9252 2599

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 zinc-contaminated iron oxide dusts produced by steelmaking to recover hydrochloric acid, iron metal and zinc oxide. 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.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

AUSTPAC RESOURCES N.L.

ABN

87.002.264.057

Quarter ended ("current quarter")

31 MARCH 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts – R+D Tax Concession Refund	1,506	1,773
1.2 Payments for		
(a) exploration	-	-
(b) NIRP Mineral Technology Development	(213)	(366)
© ERMS- other	-	-
(d) Murray Basin		
(e) Gold	(38)	(88)
(f) Administration	(257)	(1,033)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	998	286
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		

+ See chapter 19 for defined terms
1 September 2016

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities		
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	191	441
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	191	441
4. Net increase / (decrease) in cash and cash equivalents for the period	1,189	727
4.1 Cash and cash equivalents at beginning of period	150	612
4.2 Net cash from / (used in) operating activities (item 1.9 above)	998	286
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	191	441

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,339	1,339
<hr/>			
5. Reconciliation of cash and cash equivalents		Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts			
5.1	Bank balances	1,339	150
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,339	150
<hr/>			
6. Payments to directors of the entity and their associates		Current quarter \$A'000	
6.1	Aggregate amount of payments to these parties included in item 1.2	47.5	
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3		
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		
<hr/>			
7. Payments to related entities of the entity and their associates		Current quarter \$A'000	
7.1	Aggregate amount of payments to these parties included in item 1.2		
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3		
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2		

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	120
9.2 Development- N.I.R.P	300
9.3 N.I.R.P funding	-
9.4 Staff costs	
9.5 Administration and corporate costs	340
9.6 Other – Vic Govt funding Exporation	(60)
9.7 Total estimated cash outflows	700

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date:31.3.2017.....
(Director/Company secretary)

Print name:N.J. GASTON

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.