



AUSTPAC RESOURCES N.L.
ACN 002 264 057

Level 3

62 Pitt Street

SYDNEY NSW 2000

GPO Box 5297

SYDNEY NSW 2001

Telephone: (+61 2) 9252 2599

Facsimile: (+61 2) 9252 8299

Email: apgtio2@ozemail.com.au

www.austpacresources.com

30 April 2018

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 ENDING 31 MARCH 2018

We are pleased to provide Quarterly Report for the period ending 31 March 2018 for immediate release.

Yours faithfully

N.J. Gaston
Company Secretary

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QUARTERLY REPORT TO 31 MARCH 2018

HIGHLIGHTS

- In January 2018, Austpac received \$500,000 in converting note capital from Bergen Global Opportunity Fund, LLC, a New York based international investor managed by Bergen Asset Management LLC.
- In January 2018, Austpac also completed a placement of 30,000,000 fully paid ordinary Austpac Resources NL shares to professional investors at 1 cent each to raise \$300,000.
- The funds are being used to advance the testwork program at Austpac's Newcastle facilities which will demonstrate that the Company's unique, 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) from the steel industry.
- The test work program is being progressed in stages, and development has focused on the critical first process stage; the EVAP (Evaporation) unit:
 - The initial EVAP commissioning run was undertaken last year and indicated several areas that required modification to improve operations. This has been completed.
 - A second run was undertaken in March 2018 following the modifications and the EVAP unit produced excellent mixed oxide-chloride pellets at design capacity of approximately 50 kg per hour. Areas for further improvement were identified and were scheduled to be implemented preparatory to a third run planned for the second quarter of this year.
 - The planned improvements included fabrication of a bottom-fluidised constant density tank to deliver a consistent slurry feed to the EVAP unit, increasing the capacity of the gas supply, and new equipment to enhance the discharge of the iron chloride/iron oxide/zinc oxide pellets produced in the unit.
 - A further run, aimed at increasing the EVAP's production rate to 100 kg per hour, will be undertaken as soon as the upgrade work is completed.
- The original plans for the test program are being reviewed to significantly reduce the cost and time of the program by using or modifying existing equipment and still achieve the objective of demonstrating the four process steps while also producing sufficient samples of pig iron and zinc oxide for market evaluation, rather than larger tonnages of these products.
- Discussion and negotiations continue with Australian and overseas steel mills for the use of Austpac's recycling technology. Commercial agreements are expected to be finalised once the test program is completed and the final products are evaluated by interested parties.
- The discovery last year at Nhill of significant zinc-gold mineralisation in strongly altered basalts in GG-01, the first diamond drill hole, requires follow up drilling. Discussions have been held with a number of potential joint venture partners and an expression of interest has now been received.

The Newcastle Zinc & Iron Recovery Plant (NZIRP)

During the first weeks in March 2018, Austpac management undertook further development work to modify and repair some of the equipment used by the EVAP unit, the important first stage of Austpac's Zinc-Iron Recovery process. This unit was initially commissioned last September, and it converts steel furnace dusts and spent pickle liquor (SPL) from the steel industry into solid iron oxide +-oxide + iron chloride pellets (mixed oxide-chloride pellets) for the next process stage.

The furnace dust slurry and SPL feed preparation and delivery systems were refined, the off-gas scrubbing system tested and the EVAP unit was prepared for a one-day test run to evaluate the improvements. Once operations commenced and the unit had reached normal operating temperature it produced ideally-sized, high quality mixed oxide-chloride pellets. Production rate continually increased during the day, and prior to shut down the unit was making pellets at design capacity of 50 kg per hour.

During April 2018, further enhancements were made to the EVAP unit. This included upgrading the gas supply pipeline capacity to improve gas delivery to the EVAP unit and installing a new pellet discharge system to enhance the removal of the iron chloride/iron oxide/zinc oxide product from the unit. To ensure a consistent slurry is delivered to the EVAP unit, the existing stirred tank is being replaced with a bottom-fluidised constant density tank. This has been fabricated but has yet to be installed, as modifications are required to marry the ball mill discharge with the inlet to the new tank. The objective of the improvements is to enable the EVAP unit to achieve a production rate of up to 100 kg per hour, which is well above original design capacity.

Management is currently reviewing the plans for the test program to significantly reduce the cost and time of the original program by modifying existing equipment and still achieve the objective of demonstrating the four ZIRP process steps. This will now produce sufficient samples of pig iron and zinc oxide for market evaluation, rather than the larger tonnages previously envisaged.

Negotiations continue with Australian steel producers regarding the application of the ZIRP technology and discussions are continuing with a number of offshore producers, including the exchange of technical data regarding the use of the technology. The potential use of the technology in the worldwide steel industry is immense and Austpac is focused on its commercialization with both local and offshore industry participants.

EL 5291 Nhill

During the quarter, Austpac management held numerous meetings with representatives of a number of mining and exploration companies, including large organisations and smaller entrepreneurial companies who have clear goals to develop new opportunities. One group has recently examined the core from GG-01 and has expressed an interest in a joint venture. These discussions are continuing.

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. 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.

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 2018

| 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 | - | 430 |
| 1.2 Payments for | | |
| (a) exploration | - | - |
| (b) NIRP Mineral Technology Development | (204) | (495) |
| © ERMS- other | - | - |
| (d) Murray Basin | | |
| (e) Gold | (38) | (87) |
| (f) Administration | (245) | (747) |
| (g) Gold Funding | 4 | 40 |
| 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 | (483) | (859) |

| | | |
|--|--|--|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | | |
| (b) tenements (see item 10) | | |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| (c) investments | | |
| (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 | 300 | 300 |
| 3.2 Proceeds from issue of convertible notes | 500 | 500 |
| 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 | 800 | 800 |

| | | |
|---|-----|------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | 317 | (59) |
| 4.1 Cash and cash equivalents at beginning of period | 118 | 494 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | 317 | (59) |
| 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) | - | - |

| 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 | 435 | 435 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|-----|--|----------------------------|-----------------------------|
| 5.1 | Bank balances | 435 | 118 |
| 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) | 435 | 118 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

| Current quarter \$A'000 |
|----------------------------|
| 47.5 |
| |

7. Payments to related entities of the entity and their associates

- 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

| Current quarter \$A'000 |
|----------------------------|
| |
| |

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position

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.

| Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|
| | |
| | |
| | |

| |
|--|
| |
|--|

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | 30 |
| 9.2 Development- N.I.R.P | 150 |
| 9.3 N.I.R.P funding | - |
| 9.4 Staff costs | |
| 9.5 Administration and corporate costs | 180 |
| 9.6 Other – Placement and Converting Note | (500) |
| 9.7 Total estimated cash outflows | (140) |

| 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 | | | | |

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:31.3.2018.....
(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.