



AUSTPAC RESOURCES N.L.  
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30 April 2020

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 2020

We are pleased to provide Quarterly Report for the period ending 31 March 2020 for immediate release.

Yours faithfully

N.J. Gaston  
Company Secretary

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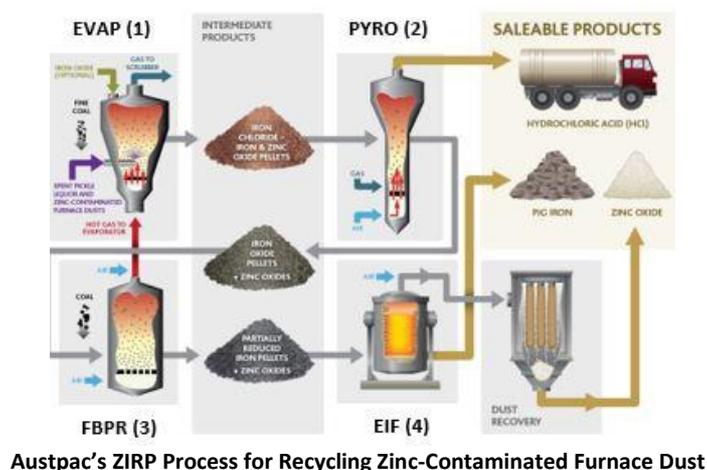
## QUARTERLY REPORT TO 31 MARCH 2020

- 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, .



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](http://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.

## Appendix 5B

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

## Name of entity

AUSTPAC RESOURCES NL

## ABN

87.002.264.057

## Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(5.1)	(38.1)
(b) N.I.R.P Mineral Technology Development	(141)	(923)
(c) production		
(d) staff costs	(30)	(296.5)
(e) administration and corporate costs	(197.5)	(700)
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 Government grants and tax incentives	-	119
1.8 Technology revenue transaction	-	1500
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(373.6)</b>	<b>(338.6)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) exploration & evaluation (if capitalised)		
	(e) investments		
	(f) other non-current assets		
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) 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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>		

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	319
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid	-	(200)
3.9	Other (Loan from shareholder)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>		119

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
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<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	626	472
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(373.6)	(338.6)
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)		119
4.5 Effect of movement in exchange rates on cash held		
<b>4.6 Cash and cash equivalents at end of period</b>	<b>252.4</b>	<b>252.4</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	252.4	626
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>252.4</b>	<b>626</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates include in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2.

<b>Current quarter \$A'000</b>
68.6

Note: if any amounts are shown in item 6.1 or 6.2 your quarterly activity report must include a description of and explanation for such payments.

**7. Financing facilities**

*Note: the term 'facility' includes all forms of financing arrangements available to the entity*

*Add notes as necessary for an understanding of the sources of finance available to the entity*

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

**8. Estimated cash available for future operating activities**

	\$A'000
8.1 Net cash from/ (used in) operating activities (Item 1.9)	(338.6)
8.2 Capitalised exploration & evaluation (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + 8.2)	(338.6)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	252.4
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	252.4
8.7 Estimated quarters of funding available (Item 8.6 divided by item 8.3)	.75

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful

Answer: Yes, R&D tax concession funding and corporate investment which the company believes will be successful

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, R&D tax concession funding and corporate investment

### 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.

Date: 30.4.2020

Authorised by: By the board of Directors  
(Name of body or officer authorising release- see note 4)

### Notes

1. The quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activity for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: 'By the board'. If it has been authorised for release to the market by a committee of your board of director, you can insert here: By the [name of board committee- e.g. Audit and Risk Committee]. If it has been authorised for release to the market by a disclosure committee, you can insert here: 'By the Disclosure Committee'.
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendations 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.