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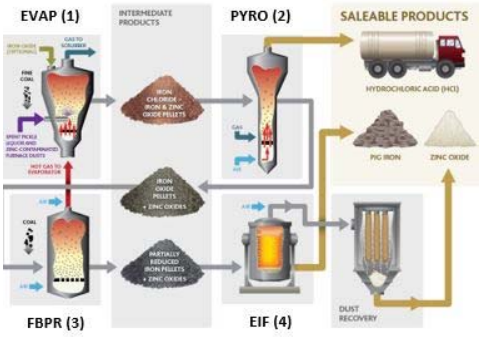
QUARTERLY REPORT TO 30 JUNE 2020

- **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.**
- **Final CSIRO test work was completed on the Zinc extraction from the Iron oxide pellets. Results were positive.**

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 so they are suitable for the melt tests; the Fluid Bed Pre-Reduction stage (FBPR).



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. A sample of the pre-reduced metal oxide was also 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 June 2020, Austpac received the results of the Zn rich iron oxide chemical analyses of a secondary sample taken during the PoC.

The second melt test, which was carried out recently, was to evaluate the quality of the zinc oxide product. The Company is pleased to report that the zinc oxide content in the product was 87%, which is well above the 60% that is required for a saleable product for zinc metal production.

The tests carried out by the CSIRO have demonstrated that the ZIRP process is capable of processing two steel mill waste products, zinc contaminated furnace dust and spent pickle liquor, and transforming them into three separate saleable products; pig iron, HCl and zinc oxide.

Nevertheless, the test work carried out by the Company late last year at its Newcastle plant demonstrated that there are still some areas in the process which need further refinement before committing to a commercial plant.

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. Due to the Corona Virus second wave in Victoria finalisation of this approval is still pending.

Desk based work has involved some further modelling to consider alternative geological structures which would be consistent with the ground geophysical data acquired in the first quarter 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.

Austpac Resources NL

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Rule 5.5

Appendix 5B

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

Name of entity
Austpac Resources NL

ACN or ARBN
002 264 057

Quarter ended ("current quarter")
30-Jun-20

Consolidated statement of cash flows	**Current quarter $A'000**	**Year to date 12 months $A'000**
1. Cash flows related to operating activities		
1.1 Receipts from customers*		
1.2 Payments for		
(a) exploration and evaluation	(10)	(48)
(b) N.I.R.P Mineral Technology Development	(39)	(962)
(c) production		
(d) staff costs	(47)	(343)
(e) administration and corporate costs	(165)	(865)
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 (received)		
1.7 Government grants and tax incentives	50	169
1.8 Technology revenue transaction		1,500
1.9 Net cash from / (used in) operating activities	(211)	(549)

2. Cash flows related to investing activities		
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	25	25
(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)		
2.6 Net cash from / (used in) investing activities	25	25

Consolidated statement of cash flows	Current quarter $A'000	Year to date 12 months $A'000
3. Cash flows related to financing activities		
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	100	100
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (Loan from shareholder)		(200)
3.10 Net cash from / (used in) financing activities	100	219

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	252	471
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(211)	(549)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	25	25
4.4 Net cash from / (used in) financing activities (item 3.10 above)	100	219
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	166	166

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	166	252
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)	**166**	**252**

6. Payments to directors of the entity and associates of the directors	Current quarter $A'000
6.1 Aggregate amount of payments to the parties included in item 1	0
6.2 Aggregate amount of loans to the parties included in item 2	0

Note: if any amounts are shown in items 6.1 and 6.2, your quarterly report must include a description of, and any explanation for, such payments

7. Financing facilities Note: the term "facility" includes all forms of financing arrangement available to the entity. Add notes as necessary for an understanding of the position.	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	-	-
7.4 **Total financing facilities**	-	-
7.5 **Unused financing facilities**	-	-

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)	(211)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(211)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	166
8.5	Unused financing funding (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	166
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	0.8

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

1. Does the entitiy 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:

No. In the coming quarter, costs related to the previous managing director together with the company secretary/CFO will no longer incur (approximately costs $600K per year). Instead, the new CEO and the company secretary will cost the company less than $100K in the next 12 months. In addition, the current management has also taken steps to reduce administration costs.

2. Has the entitiy 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. The R&D tax concession funding estimate to be in excess of $400K.

3. Does the entitiy 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 does give a true and fair view of the matters disclosed.

Date: 31 July 2020

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

Notes

1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities 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 directors, you can insert here: "By the [name of board committe - eg 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 youself out as complying with recommendation 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 give a true and fair value 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.