

23 May 2017

SHAREHOLDER UPDATE

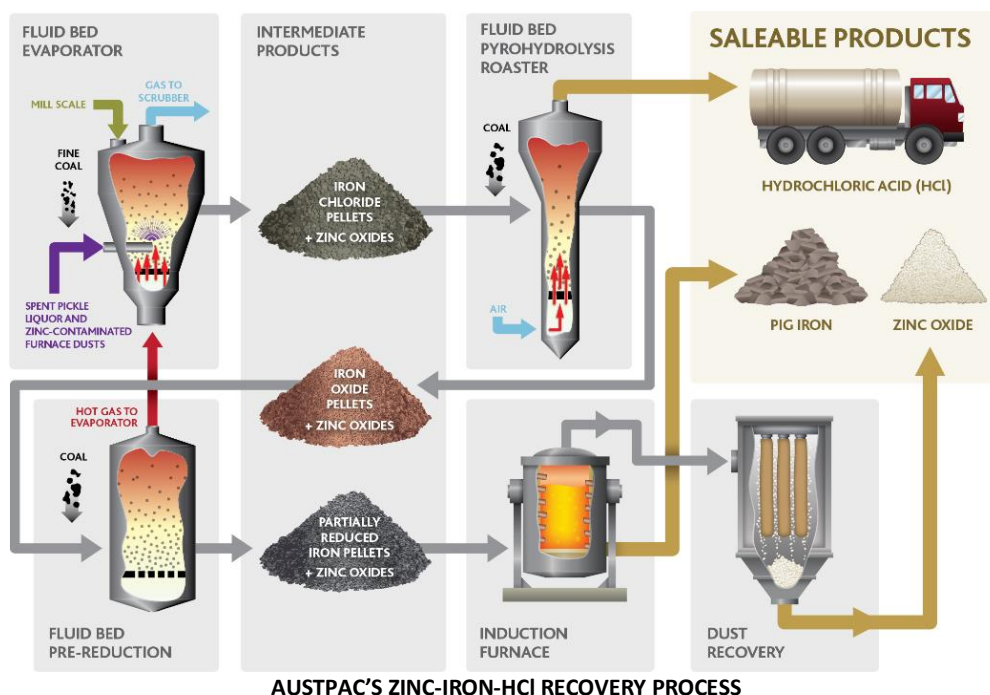
NEWCASTLE ZINC & IRON RECOVERY PLANT (NZIRP)

As reported in Austpac's March Quarterly Report, the Company has commenced a pilot scale program to make 5 tonnes of partially-reduced mixed oxide pellets for melting trials in an Electric Induction Furnace ("EIF") at a commercial foundry. This work will prove the process and produce samples of pig iron and zinc oxide for marketing purposes. To expedite the program, existing pilot scale equipment is being modified and refurbished, and it will be operated sequentially through the Fluid Bed Evaporation ("EVAP"), Pyrohydrolysis ("PYRO") and Fluid Bed Pre-Reduction ("FBPR") stages, as described later in this report.

The testwork program began in March 2017 and is progressing well. Achievements so far include:

- Existing equipment and all working spaces in the plant have been cleaned and the site was reorganised and readied for the construction and operations associated with the program.
- An Australian steel producer has agreed to provide sufficient quantities of furnace dust, spent pickle liquor and coal to facilitate feedstocks requirements for the program.
- The furnace dusts that will be used in the testwork will be delivered in bulk to the bulk storage shed for transfer as required to the solids handling equipment at the front end of the plant. These dusts contain agglomerated particles which will be wet ground in the ball mill to produce a fine slurry for further processing.
- A tank and pump has been installed adjacent to the ball mill and connected to a new ring main that will transfer the dust slurry to a holding tank high in the plant prior to feeding it into EVAP.
- The EVAP unit has been dismantled and is being reconditioned and replacement parts are being designed for fabrication.
- Both PYRO and FBPR will use the same fluid bed roaster, and an existing refractory-lined roaster is being modified so it can be used for both duties. Design drawings for the roaster modifications are now complete and are being finalised as construction drawings. These will be sent to selected fabricators for quotes later this week.
- It is anticipated that commissioning of the EVAP unit will commence in June and that operations of the first process stage will continue into the July-September quarter while the modified roaster for PYRO and FBPR is being installed and commissioned.

Austpac's process (patent pending) to recover iron, zinc and hydrochloric acid from contaminated furnace dusts and spent pickle liquor from the steel industry comprises four stages; fluid bed evaporation/pelletisation (EVAP), fluid bed pyrohydrolysis (PYRO), fluid bed pre-reduction (FBPR) and an electric induction furnace (EIF), as shown in diagram below.



AUSTPAC'S ZINC-IRON-HCl RECOVERY PROCESS

EL 5291 NHILL

The program to drill a vertical hole to test a geophysical target in the basement rocks beneath a cover of Murray Basin sediments for copper-lead zinc mineralisation commenced in early May 2017. The program is being co-funded by the Victorian Government.

The drill hole passed through a thicker than expected sequence of sediments and intersected the basement at 248m. The hole was continued for a further 76m until terminated at 324m. The basement comprises Cambrian volcanics analogous to the Mount Stavely Volcanic Complex to the south-east of Nhill. The core is being logged and sampled for geochemical and petrological analysis and results will be reported when they are received.

ERMS SR SYNRTILE TECHNOLOGY LICENCE

Austpac is still awaiting advice from the company with a significant heavy mineral resource in Asia that it has obtained final approvals for their project and is ready to sign the licence and investment agreement negotiated in 2016 for the use of the ERMS SR synrutile process.

For further information please contact:

Mike Turbott
Managing Director
Austpac Resources N.L.
Tel (+61-2) 9252-2599

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 iron oxides produced by steelmaking to recover hydrochloric acid and iron metal. 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.