Annual General Meeting

22nd November 2007

Presentation by

M.J. Turbott

Managing Director

AUSTPAC RESOURCES N.L.

Austpac's Development

- Ilmenite upgrading process ("ERMS SR")
- Hydrochloric acid process ("EARS")
- Demonstration Plant concept:
  - Synthetic rutile ("synrutile") – 3,000 tpa capacity
  - Acid regeneration from iron chloride solutions
  - Iron oxide reduction
  - Fine titanium minerals agglomeration
  - HTR (high temp) & LTR (low temp) roasting
- BHP Billiton's $5M investment

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Austpac's 2007 Focus: Commercialisation

- **Titanium industry - pigment & metal**
- Steel industry - waste treatment
- Iron ore industry - upgrading to DRI

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The Titanium Industry:

- 95% titanium dioxide pigment, 5% metal
- Two pigment processes – Chloride (60%) and Sulfate (40%)
- Chlorination needs high-grade feedstock
- Synrutile supplies ~25% of this market
- Growth in Ti metal production capacity
- Premium paid for quality

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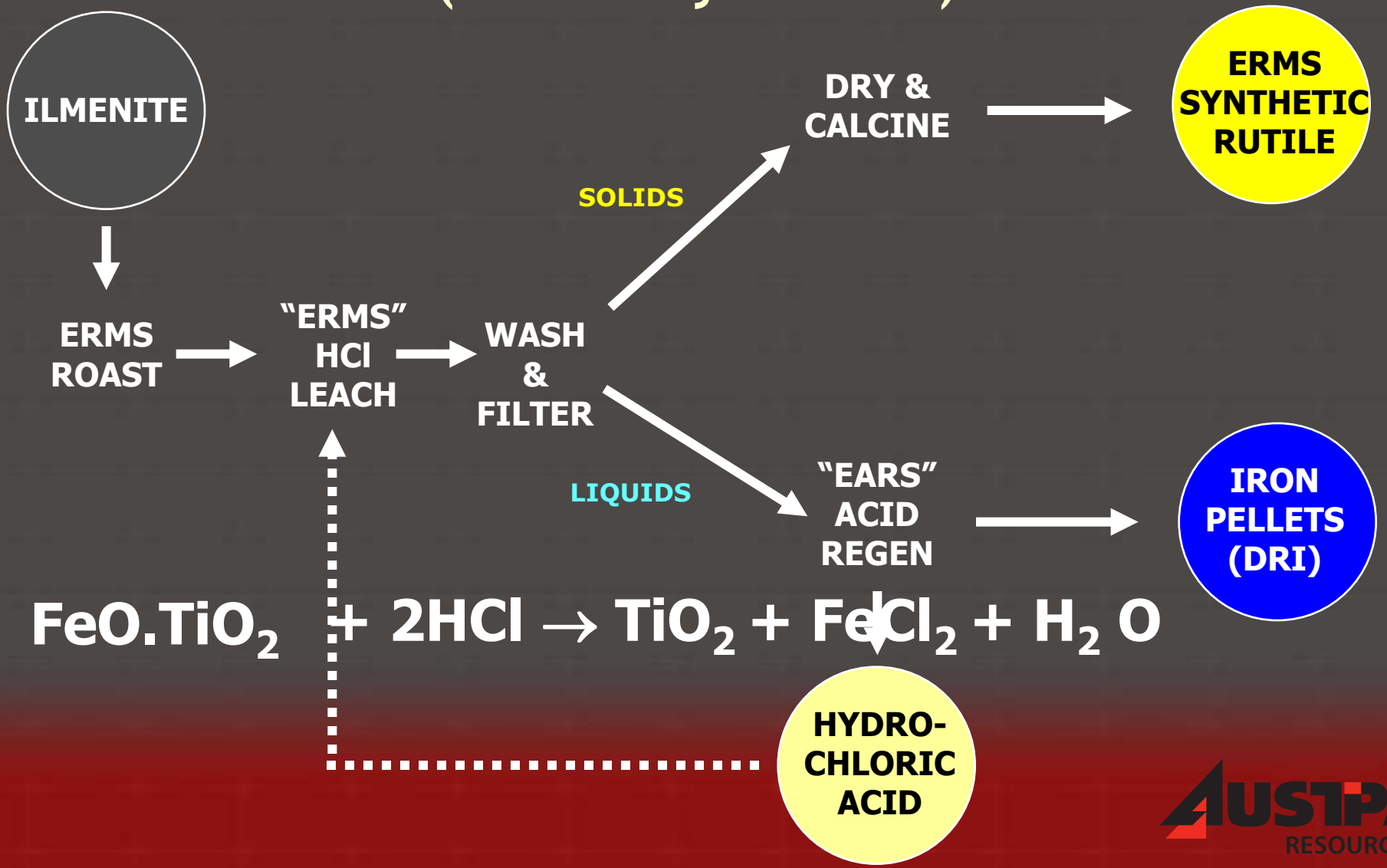
Austpac's Synthetic Rutile Process

("ERMS Synrutile")



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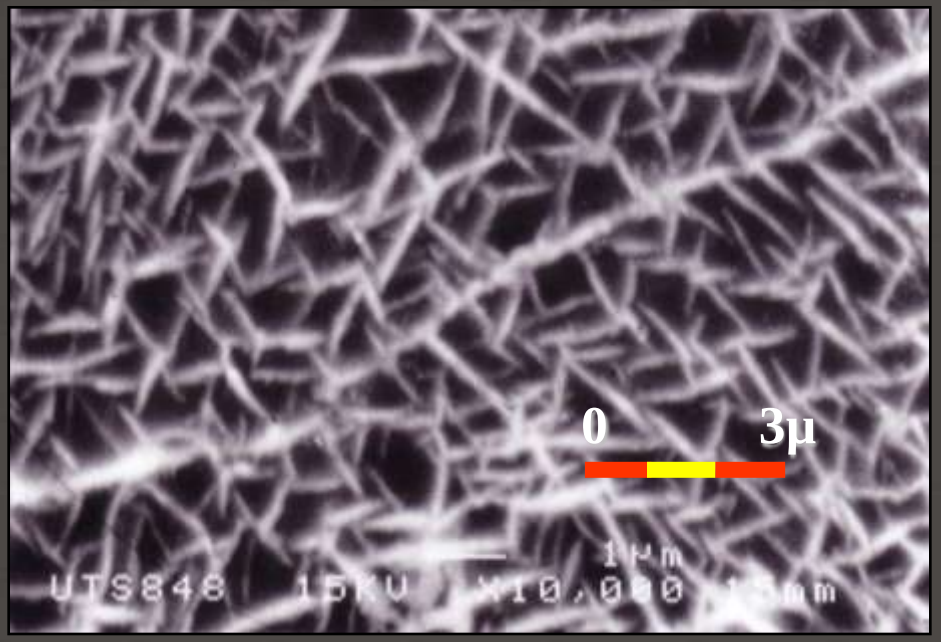
ERMS Synrutile

World's highest quality synthetic rutile (>96% TiO_2)

- TiO_2 97.0%
- Fe_2O_3 0.55%
- SiO_2 0.57%
- Al_2O_3 0.17%
- Cr_2O_3 0.01%
- CaO <0.01%
- MgO 0.02%
- MnO 0.01%
- U+Th <10ppm



Iron Metal Pellets

High purity feedstock for steelmaking and foundries

- Fe 89.7%
- FeO 6.00%
- TiO_2 0.16%
- SiO_2 0.18%
- Cr_2O_3 0.08%
- MgO 1.18%
- MnO 2.29%
- V_2O_5 0.84%
- P_2O_5 0.007%

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ERMS Synrutile Process

The only process that can produce <u>two</u> valuable products

- Ultra-high grade synthetic rutile (for titanium pigment ***<u>and</u>*** titanium metal production)
- Iron metal for steel production

The most environmentally friendly process available

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BHP Billiton & ERMS SR

Research Agreement (Sep. 2006 - Jan. 2007)

Commercialisation Agreement (May 2007)

- BHPB share placement in June 2007; raised $ 5M (25M shares; largest shareholder with 3.8%)
- Integrated ERMS SR synrutile Demonstration Plant at Newcastle (3,000 tpa)
- BHPB obtained licence to use technology in Africa (fee based on gross sales revenue)
- BHP Billiton: Corridor Sands deposit, Mozambique

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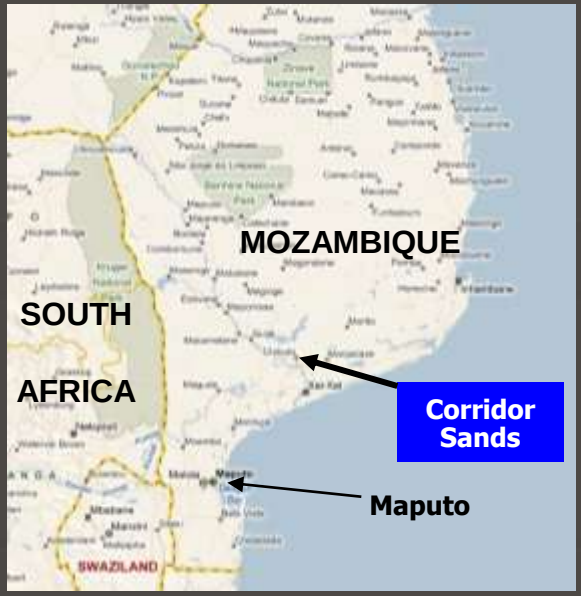
Corridor Sands



- Near Chibuto, Sth^{n} Mozambique
- BHP Billiton 90%, IDC 10%
- World's largest heavy mineral sand ilmenite resource (>100MT, 100-year-plus asset)
- Project development options under review, focus on BHPB's Mozal complex near Maputo

Titania Slag, ERMS SR option for future

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ERMS SR Demonstration Plant:

- Project budget $4.5M (excl. GST)
- Project commenced - mid July 2007
  - OH&S safety system implemented
  - 8 new Austpac team members
  - Expert consultants commissioned for process, electrical & mechanical engineering
  - Tradesmen and drafting contractors on site
  - Design & construction drawings 80% complete
  - EPA Operating Licence granted
- Phased construction schedule

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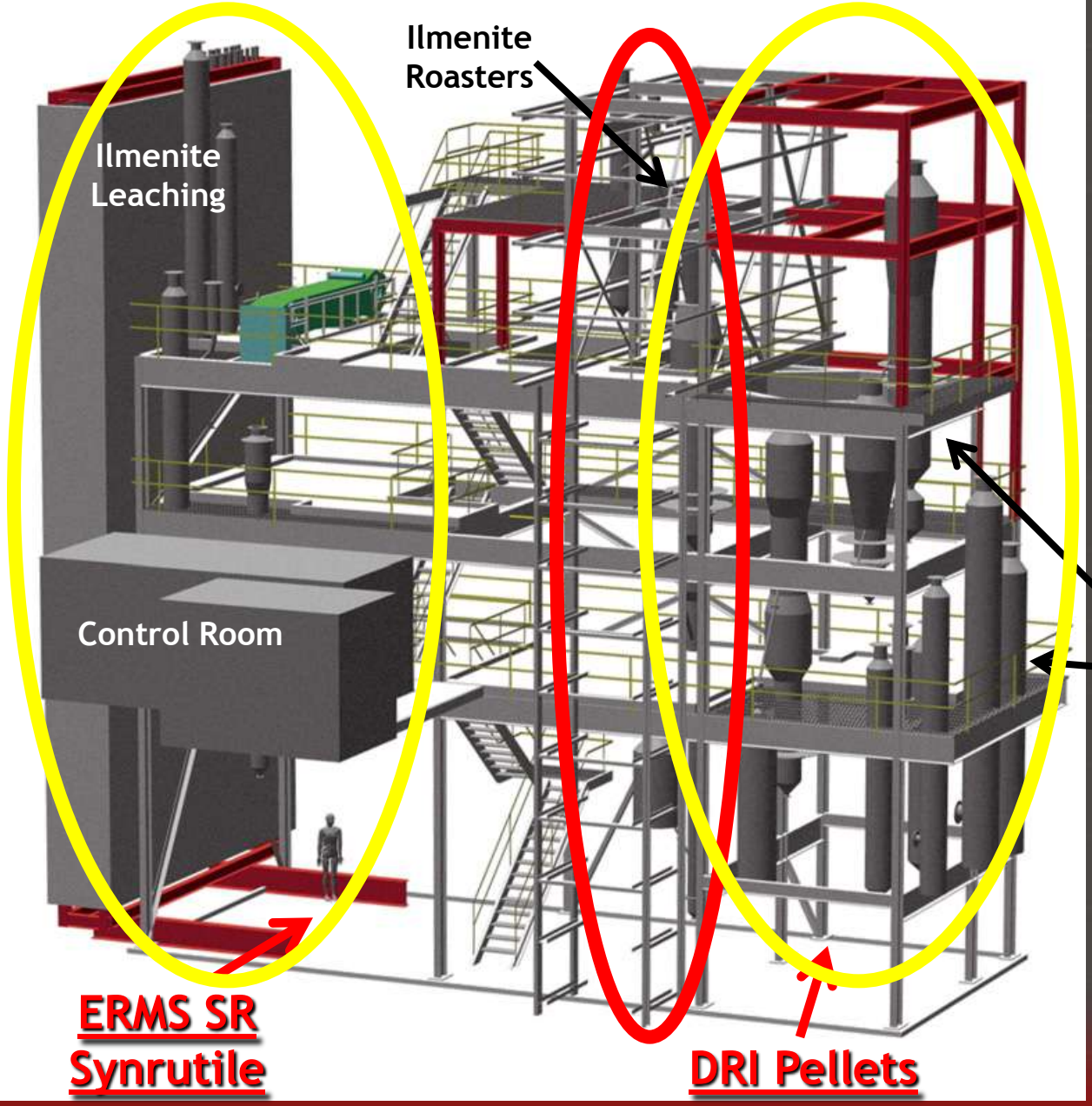

ERMS SR Demonstration Plant

Stage 1 - Roasting

Stage 2 - Leaching & Acid Regeneration

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Demonstration Plant - site office

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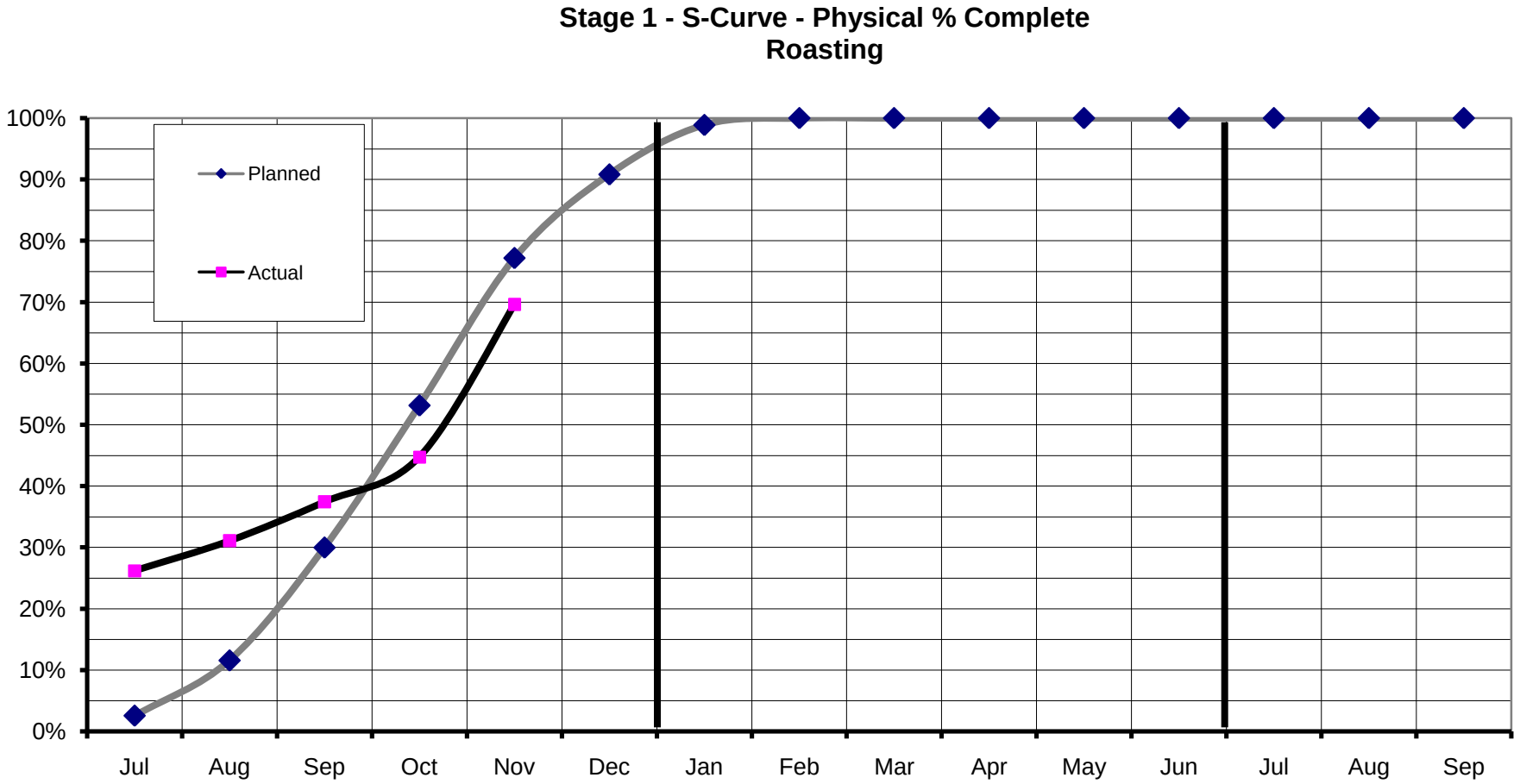
Stage 1 Progress (Nov 2007)



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Stage 1 : Services

Power – Transformer Upgrade
Water – Ø50 Gal. Steel connection to mains
Cooling Water – cooling tower installed
Gas – Upgraded Cu pipe connection to tower & supplies to burners
High Pressure Air – New screw compressor & dryer (instrument air)
Nitrogen – BOC to deliver a 3000L tank and vaporiser on 10 Dec 07
Steam – ready for delivery, construction of base and enclosure underway

Water Supply

Cooling Tower Installation

Air Blowers

Stage 1 : Raw materials handling

Ilmenite Slurry Tank

Belt Filter (Delivery Dec 2007)

Coal Crusher

Wet Ilmenite Feeder

Brown Coal Briquette Stockpile

Dry Solids Vibratory Feeder

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Stage 1 : Ilmenite Roasting

Ilmenite Pre-heater

Reduction Roaster

Process Control Room

Oxidation Roaster

Anaerobic Cooler

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Stage 1: Magnetic Separation

Rare Earth Drum Magnet

Platform Scales

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Stage 2: Magnetic Separation

Rare Earth Roll Magnet

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Laboratory Facilities

Rare Earth Drum Magnets

Leaching Bench and Fume Hood

Muffle Furnace and Drying Oven

Rare Earth Roll Magnet

Titration Bench

Safety Shower

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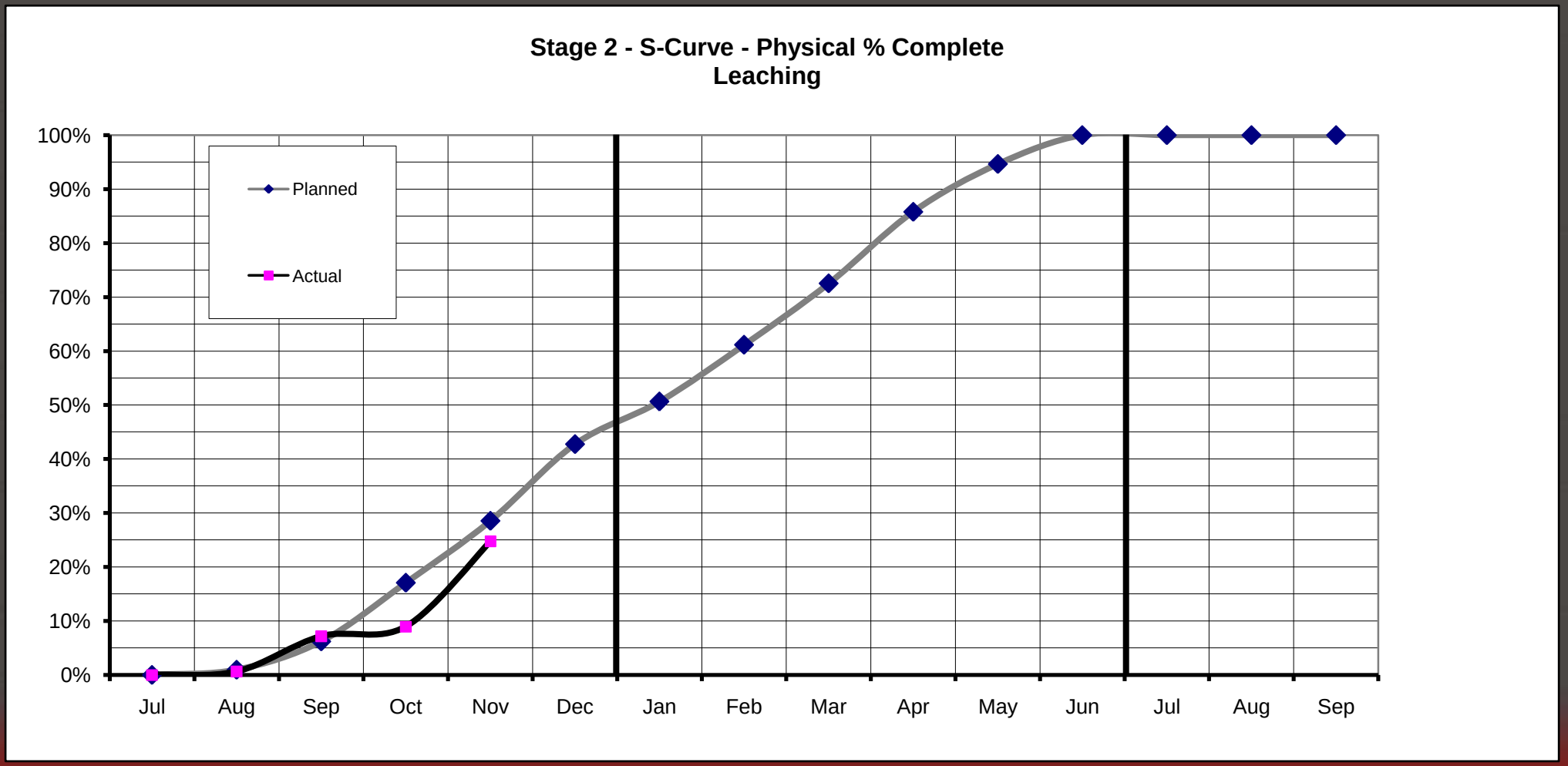
Stage 2 Progress (Nov 2007)



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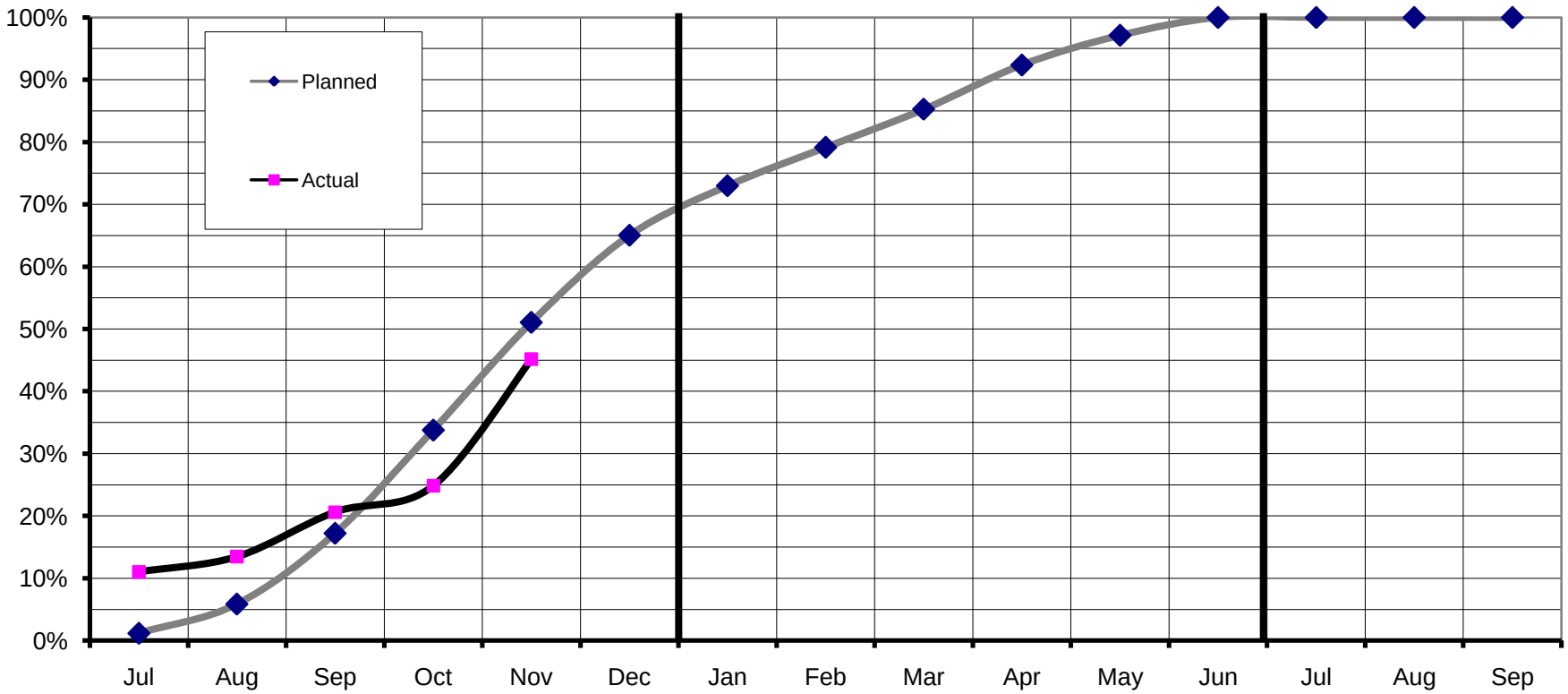
Total Project (Nov 2007)



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BHP Billiton & ERMS SR

Next step is 60,000 tpa commercial ERMS SR plant:

- BFS to commence once synrutile testwork complete (August 2008)
- If BHP Billiton participates, BHPB & APG will jointly seek opportunities to apply ERMS SR process elsewhere in the world

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Commercial ERMS Synrutile Plant

- 60,000 tpa ERMS SR synrutile plant
  (+ 45,000 tpa iron pellets)
- Economically attractive:
  - Capital cost: ~$ 85M
  - EBITDA: > $ 35M p.a.
  - IRR: > 30%, Payback: < 3 years

S.E. Australia possible site for first plant

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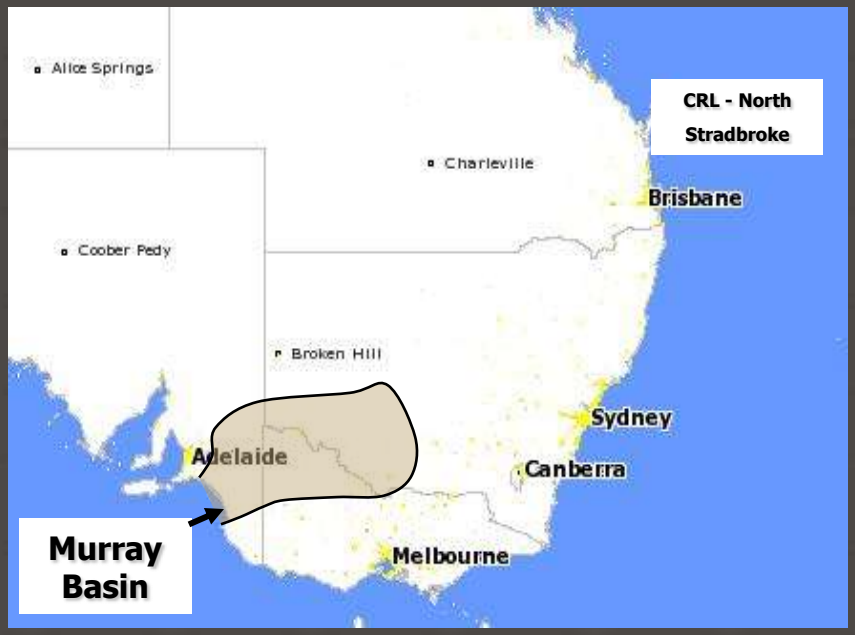
Murray Basin Mineral Sand Developments



- 2006 – two new mineral sand mines commenced production in the Murray Basin
- Ilmenite contains high chrome & U+Th

ERMS SR is the only process suitable for upgrading the ilmenite

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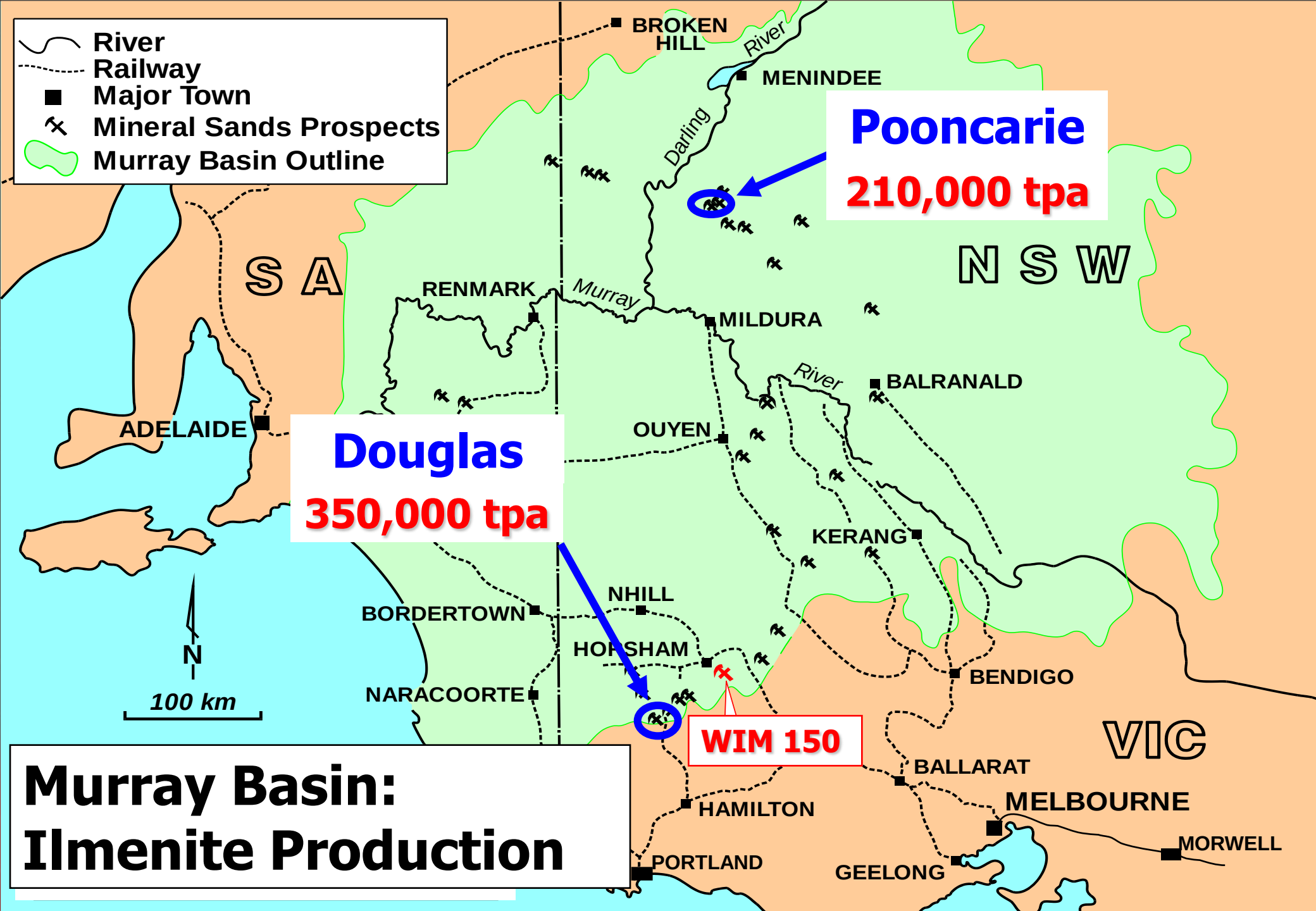
River
Railway
Major Town
Mineral Sands Prospects
Murray Basin Outline
BROKEN HILL
River
MENINDEE
Darling
Pooncarie
210,000 tpa
S A
N S W
RENMARK
Murray
MILDURA
River
BALRANALD
ADELAIDE
OUYEN
Douglas
350,000 tpa
KERANG
NHILL
BORDERTOWN
HORSHAM
N
100 km
NARACOORTE
BENDIGO
WIM 150
VIC
BALLARAT
HAMILTON
MELBOURNE
MORWELL
PORTLAND
GEELONG
Murray Basin:
Ilmenite Production

Austpac's 2007 Focus: Commercialisation

- Titanium industry – pigment & metal
- **Steel industry - waste treatment**
- Iron ore industry - upgrading to DRI

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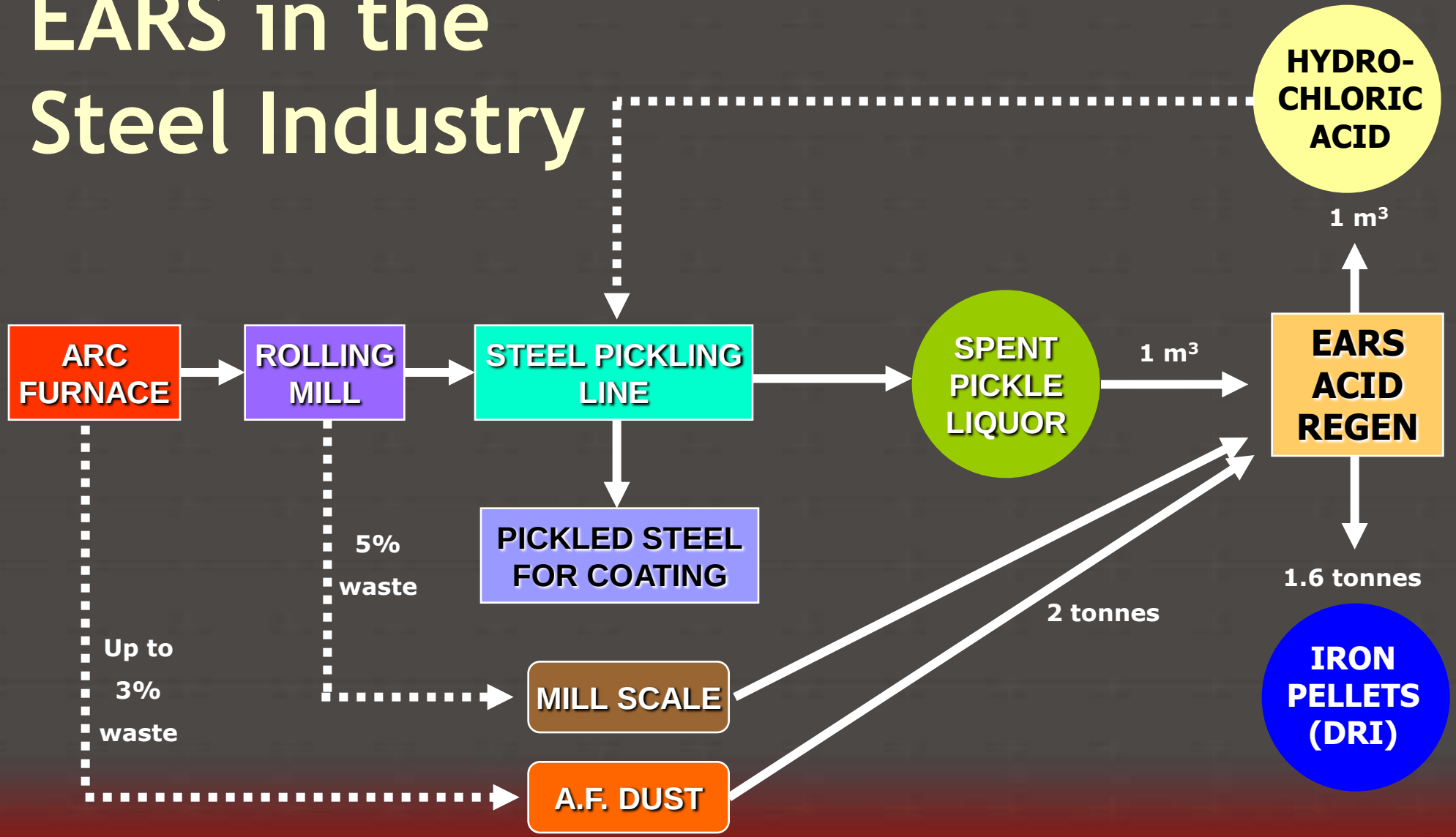
EARS in the Steel Industry



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Steel Waste Processing:

- Austpac's EARS process treats steel industry waste liquors generated from steel pickling and galvanising operations and recovers hydrochloric acid
- The Austpac process is unique: it produces reusable high-purity iron pellets from mill scale and EAF dust
- It also recovers the zinc from EAF dust (pat. pend.)
- Successful pilot trials using OneSteel wastes

Very environmentally friendly process as all the waste is treated and the constituents recovered

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Commercial EARS Plant

"Build-Own-Operate" Steel Waste Plant

- Capital cost of 50 tpd plant ~ A$ 6M
- Opex $130/t, Value >$750/t, **Profit = $620/t**
- Generates > $ 10M profit/year
- Plus zinc recovery upside

EARS section of DP has 40 tpd capacity!

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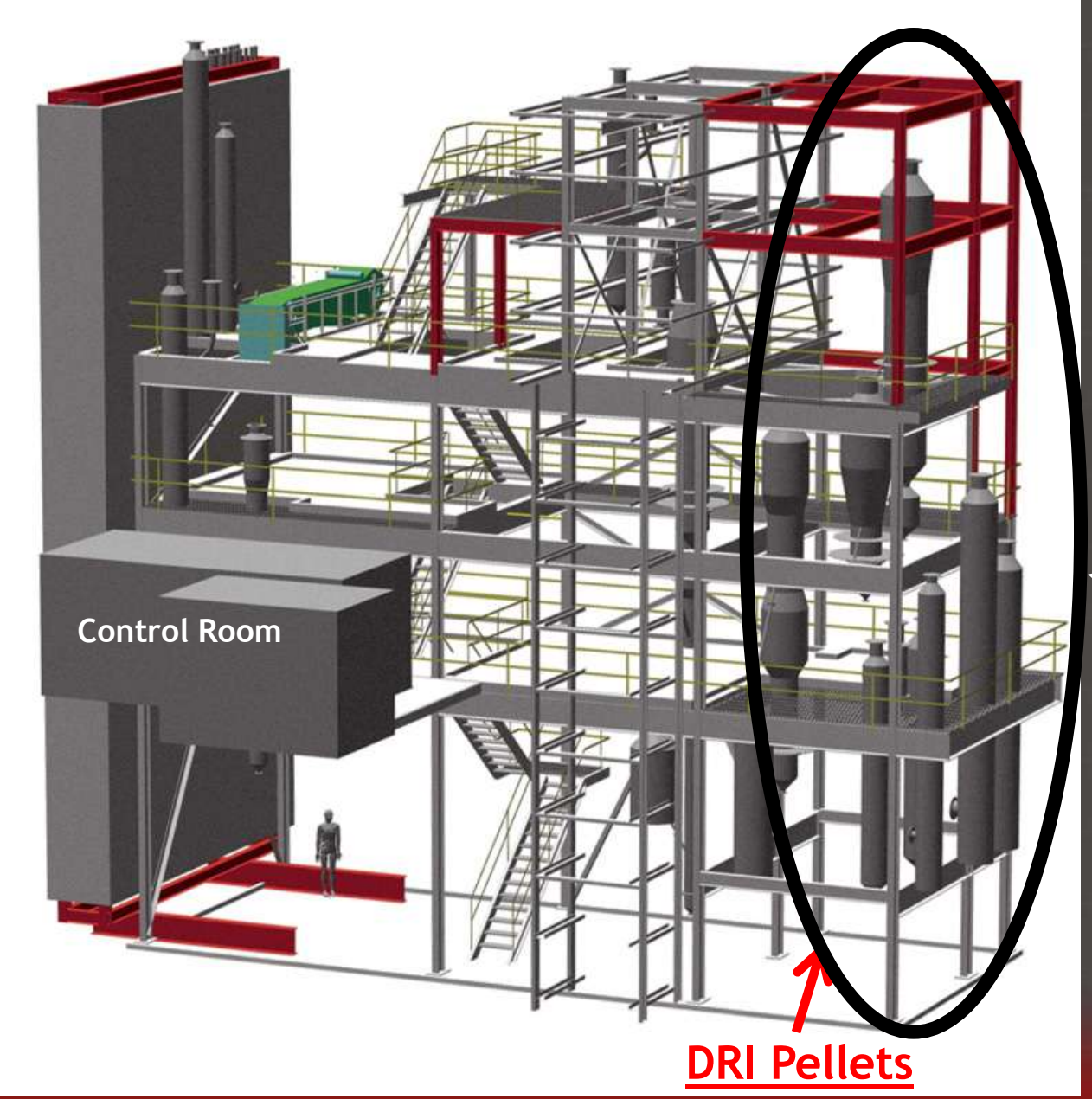

ERMS SR Demonstration Plant

EARS PLANT
40 tpd capacity

EPA has licensed the Plant to treat steel wastes

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Commercial Plants for Steel Waste

- H2 2008 – Bulk test of OneSteel's Newcastle waste
- By end 2008 - Proven at commercial scale
- DP capable of handling all Newcastle wastes as a commercial operation
- Stand-alone plants will generate high returns
- Three potential plants needed in Australia
- Developing opportunities for global application

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Austpac's 2007 Focus: Commercialisation

- Titanium industry – pigment & metal
- Steel industry - waste treatment
- **Iron ore industry - upgrading to DRI**

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Austpac Iron Ore DRI Process

- Converts magnetite ores to iron metal
- Low value iron ore fines to iron metal
- Continuous pilot DRI unit successfully tested on EARS iron oxide pellets
- Demonstrated on Pilbara iron ore fines

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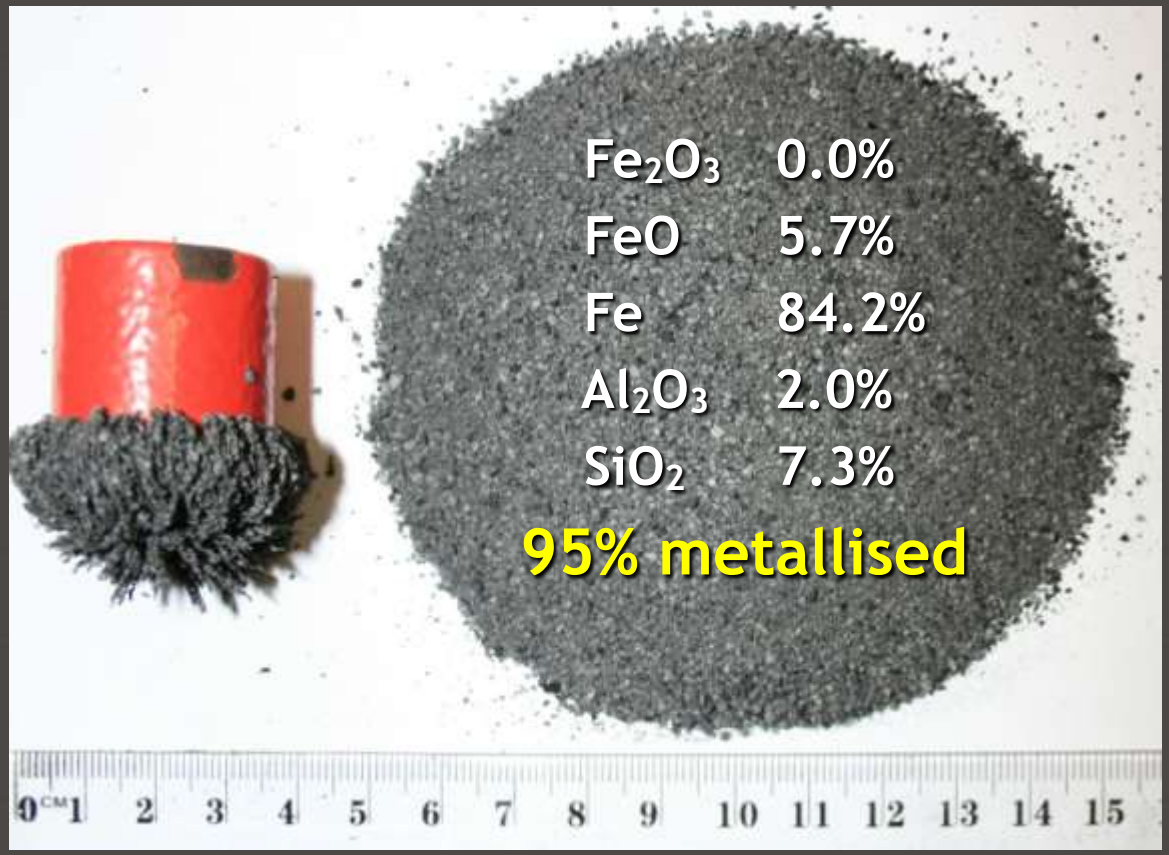
Pilbara Iron Ore to DRI



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Austpac Iron Ore DRI Process

- Produces high purity, high value electric arc furnace feed
- Demonstration Plant will be used to process bulk iron ore samples
- Interest from iron ore producers
- Licensing strategy

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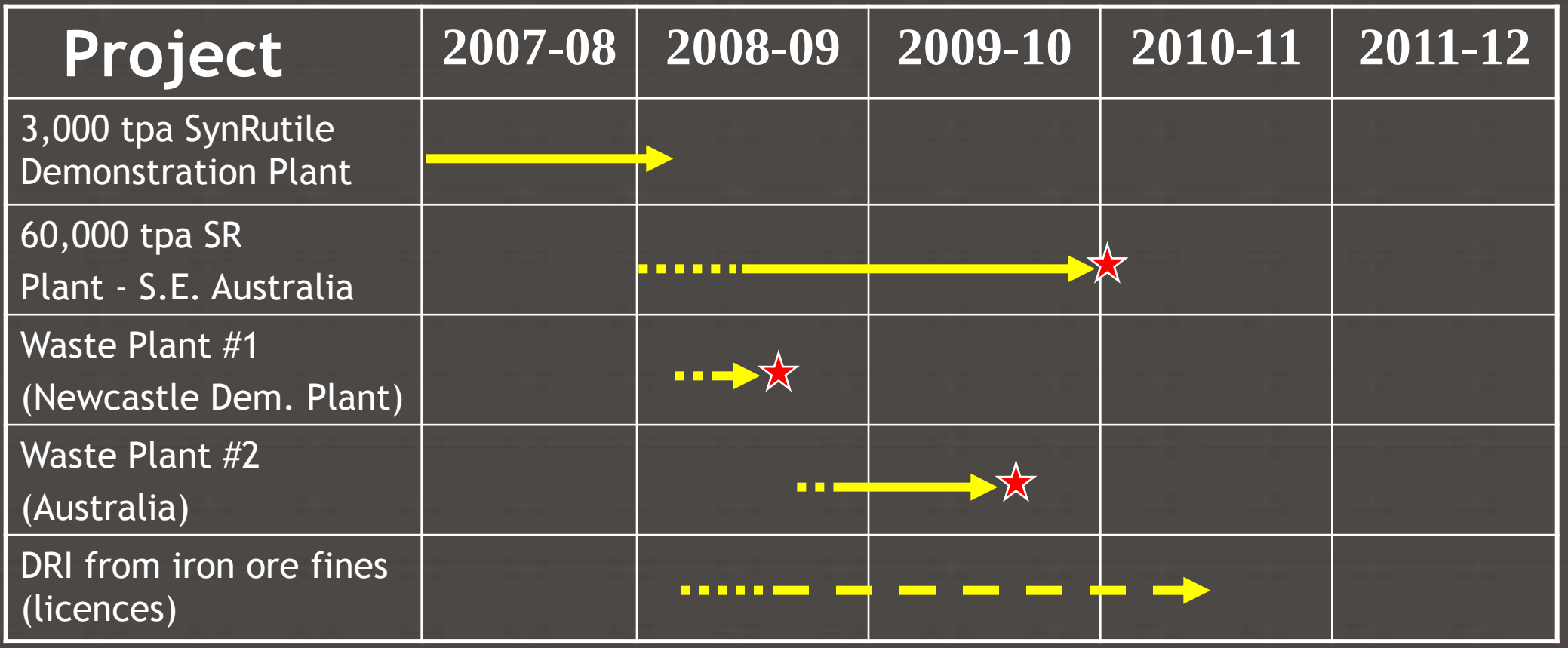
Project Timelines (Australia only)

(Fiscal Years)



★ Cash Flow

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Cash Generation Potential
(Australia only; EBITDA, Fiscal Years)

Projects	2007-08	2008-09	2009-10	2010-11	2011-12
60,000 tpa SR Plant - S.E. Australia	-	-	-	$30M	$35M
Newcastle Waste Plant	-	$4M	$10M	$10M	$10M
Waste Plant #2 (Australia)	-	-	$3M	$10M	$10M
Projects EBITDA (Annual totals)		**$4M**	**$13M**	**$50M**	**$55M**

Plus: Worldwide steel industry waste Iron ore to metal (DRI Process)

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Austpac's Forward Program:

- Synthetic rutile production (SE Australia, BHP Billiton's Corridor Sands, other deposits)
- Waste treatment for the Steel Industry
- Licensing DRI process to iron ore miners
- **Commercialisation commences in 2008**

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