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QUARTERLY REPORT TO 31 DECEMBER 2010

HIGHLIGHTS

- In January 2011, Austpac and Kronos Worldwide Inc, a major titanium dioxide pigment producer, agreed in principle on the terms for an investment in Austpac's Newcastle facilities.
- Funds for the construction and commissioning of the Newcastle Iron Recovery Plant will be provided by Kronos.
- Commissioning of the Newcastle Iron Recovery Plant will occur in 2011 and Austpac will commence commercial operations recycling steel industry waste.
- In November 2010, Austpac completed a 16 hole drilling program to investigate the basement rocks in the western part of E.L. 4521, partly funded by a grant from the Victorian Government.

THE NEWCASTLE IRON RECOVERY PLANT

In January 2011, Austpac announced that the Company and Kronos Worldwide Inc, a major titanium dioxide pigment producer, have agreed in principle on the terms for an investment in Austpac's Newcastle facilities, including funds for the construction and commissioning of the Newcastle Iron Recovery Plant. Austpac will commercially operate this plant which will use the EARS process to recycle mill scale and pickle liquor from steel mills and produce iron and hydrochloric acid for sale to the steel industry. The plant will also be able to process other chloride wastes, such as those produced by the TiO_2 industry. Definitive agreements are expected to be signed in February 2011.

In November 2010, Austpac announced that Kronos was interested in using Austpac's EARS technology to recycle chloride waste streams created by the manufacture of pigment. This followed successful pilot scale work at Newcastle earlier in 2010, which demonstrated that fresh hydrochloric acid and iron can be produced from these wastes.

Feedstock supply and product sales agreements for the Newcastle Iron Recovery Plant were finalised in the September quarter of 2010. CMC Cometals Australia will provide mill scale and purchase iron and char, and Orica Australia Pty Ltd will supply pickle liquor and purchase hydrochloric acid. The funding from Kronos is the final step toward realising the project, and construction will commence as soon as practical after the transaction is completed.

The Newcastle Iron Recovery Plant will commercially demonstrate the effectiveness of the Company's technologies for treating and recycling steel mill waste and by-products. It will act as a model reference site and assist Austpac to develop additional opportunities in the steel and related industries around the world.

MURRAY BASIN EXPLORATION, VICTORIA

During November 2010, Austpac completed a 16 hole drilling program in the south-western portion of Exploration Licence 4521, which is not subject to the WIM150 Farm-In Agreement with Australian Zircon NL. In February 2010, Austpac was granted funding of up to $14,000 under Round 3 of the Department of Primary Industries "Rediscover Victoria" Drilling Program for a fence of holes designed to further investigate the basement rocks below the Murray Basin mineral sands in E.L. 4521.

Future exploration interest will focus on a 300m wide zone across 4 adjacent drillholes. A petrology study undertaken on two samples of core from within this zone indicates they are strongly altered mafic to ultramafic igneous rocks, and suggests they represent part of the Cambrian age Mount Stavely Volcanics. The Final Report to the Victorian DPI on these drilling operations is near completion.

For further information please contact:
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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 [www.austpacresources.com] is a minerals technology company focused on the titanium, steel and iron ore industries. It has been listed on the Australian Stock Exchange since 1986. Austpac's key technology transforms ilmenite into high grade synthetic rutile, a preferred feedstock for titanium dioxide pigment and titanium metal production. The technology is also being used to recycle waste chloride solutions and iron oxides produced by steel making and recover hydrochloric acid and high grade iron chips or briquettes.

WINNER: 2008 National Mining Awards APPLIED TECHNOLOGY OF THE YEAR