



## QUARTERLY REPORT TO 31 DECEMBER 2012

### HIGHLIGHTS

- In December 2012, Austpac received \$7.5 million in cash representing proceeds of the sale of EL 4521 to Orient Zirconic Resources (Australia) Pty Ltd. These funds will be applied to the completion of the construction of the Newcastle Iron Recovery Plant.
- The project recommenced in January 2013 with detailed construction drawings underway for the extension of the process tower which will house the EARS acid regeneration and iron reduction/metallisation sections. Over 90% of the equipment for the Plant is either on site, in store, or in the suppliers' yards ready for delivery. The remaining items are being ordered and will be delivered in the first quarter.
- The flowsheet and equipment designs were finalised last year. During 2013 the Newcastle team will concentrate on construction activities, augmented by:
  - A Construction Manager with experience in and detailed knowledge of projects in the Hunter region who will commence work in February 2013 to supervise the construction team.
  - An internationally-recognised chemical engineer who has been involved with Austpac's process developments since the 1990s who will provide process and other technical advice to the engineering team when required.
- Construction of the plant will be complete by the end of the first half of 2013, with commissioning commencing in the third quarter and production underway in the fourth quarter of 2013.

### Newcastle Iron Recovery Plant

The Newcastle Iron Recovery project recommenced in January 2013. Preparation of detailed construction drawings for the extension to the process tower is now well advanced and over 90% of the equipment for the plant, including all long lead time items, is either on site, in store or awaiting delivery from the suppliers' yards. Revised quotes are being obtained and orders placed for the remaining equipment, for delivery in the next few months.

The process tower extension will house the acid regeneration and iron reduction (metallisation) sections and support the CO<sub>2</sub> removal and gas scrubbing equipment, which is

on site ready for installation once the tower extension is completed. Fabrication of the structural steel will commence next month and erection will commence in March 2013. Meanwhile work is starting on the material handling systems for mill scale and coal delivery which includes conveyors and elevators and transfer bins. Two large silos were installed last year and the remaining two silos for reduced iron chips and char will be installed in February. Large items including the waste heat boiler, air blowers and bucket elevator head pulley will be lifted into the plant room, which is above the briquetting area. The roof can then be installed and piping and electrical connections can commence.

To ensure the project is completed in a timely and cost-effective manner, two appointments have been made to augment the Newcastle team:

- Andrew James-Buehler has been appointed Construction Manager. He has been involved in many construction and refurbishment projects in the Hunter region and he has an intimate knowledge of the local supply chains which will greatly assist project execution.
- To provide with advice on technical and process aspects of the project, an internationally-recognised chemical engineer with over 40 years' experience, including 14 years with a major project engineering company, 10 years as an independent consultant. He has been involved in the development of Austpac's processes since the 1990s and has agreed to provide his services to the Newcastle team when required.

Plant construction will be completed during the first half of 2013, with commissioning underway in the third quarter and production commencing in the fourth quarter of 2013.

## **Austpac's Technologies – Future Developments**

The steel and related industries continue to show interest in Austpac's technologies and are closely following the development of the Newcastle Plant. The Plant will showcase our EARS acid recycling and iron reduction processes and two steel companies have expressed an interest in licensing our recycling processes for use in their plants. One group aims to recover iron from a large waste dump of fine contaminated iron oxide produced from iron and steel operations, and the second company is interested in using the EARS acid regeneration and iron reduction processes at one of their plants in the USA to replace ageing equipment. Continued operation of the Plant is expected to lead to additional opportunities for technology licences.

The Newcastle Plant will also be used to recycle other industrial wastes, including mixed oxide fines from the steel industry and zinc-rich chloride liquors produced during galvanizing operations. Austpac has already successfully recycled these materials in pilot scale equipment, and commercial trials are expected to create further opportunities through licences or participation in recycling plants elsewhere.

After the Plant is operating at full capacity, Austpac intends to produce bulk samples of very high grade synthetic rutile from roasted ilmenite the company holds in store at Newcastle. ERMS SR synrutile has been recognised by titanium sponge manufacturers as a very attractive feedstock for titanium metal production, and the synrutile produced at Newcastle will be used for plant trials by several groups. The long term future for titanium metal is positive, underpinned by the aerospace industry and a commercial ERMS SR plant to supply feedstock to titanium metal producers remains an important objective of the Company.

## Sale of Exploration Licence 4521 Horsham

In August 2012, Austpac agreed to sell Exploration Licence 4521 for \$7.5 million to Orient Zirconic Resources (Australia) Pty Ltd, subject to Orient Zirconic obtaining the consent of Australian Zircon. Australian Zircon had the right to earn an 80% interest in EL 4521 by completing a bankable feasibility study. In November 2012, Australian Zircon consented to the transfer of EL 4521 to Orient Zirconic. Completion of the sale was also subject to the approval of the transfer of the Licence by the Victorian Minister for Resources and Energy.

On 19 December 2012, Austpac announced that the Minister had approved the transfer, that Austpac had received the \$7.5 million which completed the sale, and that the funds would be used to complete the Newcastle Iron Recovery Plant. The completion of the sale during a year of downturn in the exploration industry was a very significant achievement for the Company.

## Exploration Licence 5291 Nhill

In 2009, the Geological Survey of Victoria (GSV) published a report on the prospectivity of western Victoria entitled "Copper, gold and nickel discovery opportunities in and around the Dimboola Arc Domain". The Dimboola Arc is a NNW-trending belt of volcanic rocks, 90% of which is covered by sediments of the Murray Basin and therefore has received minimal exploration attention. The GSV report states that during its development this belt "would have generated environments favourable for ore genesis". The report recognises similarities between this terrain and the Mt Read Volcanics in Tasmania where major resources have been discovered, and the GSV assigns high potential for copper as well as potential for nickel in western Victoria.

In August 2010, Austpac was granted EL 5291, covering a substantial portion of this geological target between the regional towns of Nhill and Dimboola. During late 2012, ground magnetic surveys were undertaken along road reserves which supported the concepts suggested by the GSV. Now that the fields are fallow, a systematic ground magnetic survey will be undertaken during February 2013 over an area south of Gerang Gerung, approximately 10km from Dimboola. The results are expected to assist in the design of drill holes to test targets in the basement rocks.

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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 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 steel making 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.