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QUARTERLY REPORT TO 30 JUNE 2011
HIGHLIGHTS

- Early in the June 2011 quarter, Austpac secured funding from major titanium dioxide pigment producer, Kronos Worldwide Inc., for the construction of the Newcastle Iron Recovery Plant and for other development work at Austpac's Newcastle facilities.
- The project is funded entirely by equity and licence fee income with no project finance debt.
- Construction of the Iron Recovery Plant at Newcastle commenced in May 2011. Detailed engineering and design as well as ordering of key equipment is essentially complete. Construction of the new site drainage system is underway and concrete foundations for gas supply and additional facilities are now complete. Based on progress to date the project is over 30% complete
- Commissioning of the Plant will commence in the fourth quarter of 2011, and operations will commence in the first quarter of 2012.

THE NEWCASTLE IRON RECOVERY PLANT

Project Background and Funding

The Newcastle Iron Recovery Plant project commenced during the quarter following the mid-April 2011 signing of definitive agreements with Kronos International Inc., for the provision of $12.5 million in funding for the construction, commissioning and initial operations of the Plant, together with other development work at Austpac's Newcastle facilities.

Initial funds were provided through two share issues totaling $6.5 million, and a further $6 million will be provided via a licence fee to enable Kronos to use Austpac's Enhanced Acid Regeneration System (EARS) and Metallisation/Austpac Reduced Iron ("ARI") processes at their titanium dioxide (TiO_2) pigment plants.

In April 2011, Austpac issued 11,470,588 shares to Kronos, which provided $975,000 allowing the project to commence in May 2011.

An Extraordinary General Meeting of shareholders held on 23 May 2011 overwhelmingly approved the issue of a further 65 million shares to Kronos, which raised a further $5,525,000 and completed the $6.5 million share placement.

Kronos is now Austpac's largest shareholder with a 7% interest, while BHP Billiton remains the second largest with a 5% interest.

In late May 2011, an additional $200,000 was also received from Kronos as the initial payment for the technology licence. The balance of the $6 million will be drawn down as required by the project for construction, commissioning and additional process development work.

Project Progress

Achievements during the quarter included:

- A long term, 25 year lease has been signed for the Kooragang Island site, Newcastle.
- Key consultant reports to confirm final Plant design have been completed.

- Detailed engineering of the gasification, metallisation, hot solids transfer and carbon capture sections of the plant was completed.
- 3D modelling of the equipment layout has been undertaken to assist with Plant construction.
- The HAZOP study (plant hazards and operability) was completed and all recommendations were incorporated into the flow sheets.
- Procurement of major equipment items is well advanced, with all long lead time items ordered.
- Selection and ordering of instruments, electrical equipment and cables is progressing.
- Design of the structure and foundations for the briquetting section and the new plant room has been finalised, as has the northern extension to the process tower. Construction of these areas will commence in early August.
- A reinforced concrete slab has been poured in readiness for the relocation of the nitrogen and oxygen tanks and vaporizers.
- Repair and maintenance of existing equipment for re-use in the Plant (pumps, fans, tanks, heat exchangers, etc.) is well advanced.
- Regular technical and project progress reviews are being held with Kronos.

The Newcastle Iron Recovery project is advancing well and is over 30% complete. Commissioning of the Plant will commence in the fourth quarter of 2011, followed by operations in the first quarter of 2012. Production during commissioning and initial operations will be at reduced capacity; at full capacity the Plant will produce 19,000 tpa of high grade iron and over 7,000 tpa of hydrochloric acid. Based on current commodity prices it is estimated this will return $7 million annually to Austpac.

MURRAY BASIN, VICTORIA

Discussions with geological staff at Geoscience Victoria have contributed to a better appreciation of the potential mineralisation within EL 5291, near Nhill in western Victoria. Previous detailed computer modelling and interpretation of low level aeromagnetic survey data acquired over EL 5291 is being used to assess the variations in the depth to the prospective basement lithologies.

Australian Zircon (AZC) has advised Austpac that it will conduct a drilling program at WIM 150 (EL 4521) to obtain approximately 16 tonnes of WIM150 ore for metallurgical testwork. Approval has been obtained from the Victorian DPI for the proposed program. AZC has also advised it has contracted Coffey Environments, CPG Mineral Technologies and AMC Consultants to undertake work on the WIM 150 Feasibility Study. The drilling and subsequent metallurgical testwork as well as progress in other areas will assist in the renewal of this tenement in December.

A decision by the WA Supreme Court is still pending in regard to the litigation by Australian Zircon.

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 Resources N.L. [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.

WINNER: 2008 National Mining Awards APPLIED TECHNOLOGY OF THE YEAR