



QUARTERLY REPORT TO 30 JUNE 2010

HIGHLIGHTS

- A supply and sales contract has been negotiated with a major international steel industry corporation, for the supply of mill scale and coal, and the sale of Austpac iron and char that will be produced by the Newcastle Iron Recovery Plant, currently under construction at Newcastle. This arrangement will accommodate the start-up and first years of operations at the Plant, and allows for capacity expansion in the future.
- Austpac expects to conclude negotiations with a major corporation early in the coming quarter for the supply of pickle liquor and the sale of regenerated hydrochloric acid produced by the Newcastle Iron Recovery Plant.
- Construction of the Newcastle Iron Recovery Plant is progressing at Newcastle.
- An Environmental Protection Licence has been issued by the NSW Department of Environment, Climate Change and Water for the Newcastle Iron Recovery Plant. Development Consent was received from Newcastle City Council in the previous Quarter.
- Pilot scale testwork was successfully undertaken at Newcastle to recover iron and hydrochloric acid from a chloride waste stream produced at an industrial plant by a major international corporation. It is likely this work will lead to several new patent applications, so the nature of the work is confidential. However Austpac will continue to work with this group in the coming months and expects this will lead to further significant developments before the end of the year.

THE NEWCASTLE IRON RECOVERY PLANT

First Supply and Off-Take Agreement Negotiated

Austpac has negotiated an agreement for the supply of mill scale and coal, two of the raw materials required for the operation of the Newcastle Iron Recovery Plant. The arrangement also provides for the sale of Austpac Iron and char, two valuable commodities produced by the Plant.

Additional Supply and Off-Take Agreements

Austpac expects to conclude negotiations with a major corporation early in the coming quarter for the supply of pickle liquor to the Newcastle Iron Recovery Plant and the sale of regenerated hydrochloric acid produced at the Plant.

Construction Activity at Newcastle

During the last Quarter, a reinforced concrete plinth was laid as a base for the Koeppern roll briquetting press. In early June an engineer from Koeppern Australia spent two weeks at the Plant supervising the installation, levelling and alignment of the press, and also undertook maintenance checks on bearings and gears. A few minor items were replaced or refurbished, the press was powered up and the main drive motors were successfully operated. Materials handling equipment and an enclosure for the briquetting section will be installed as Plant construction proceeds.

The positioning of the bunkers for the finished Austpac iron product required the removal of some existing equipment. This included the steam boiler together with its fuel supply and pipe work, which was relocated within the Plant and recommissioned.

APPROVALS RECEIVED FOR NEWCASTLE IRON RECOVERY PLANT

A new Environmental Protection Licence was granted in late May 2010 by the NSW Department of Environment, Climate Change and Water, for the operation of the Newcastle Iron Recovery Plant. This complements the Development Consent granted during the previous quarter by Newcastle City Council to use the existing chemical plant to recover iron and hydrochloric acid from mill scale and spent pickle liquor.

TESTWORK ON INDUSTRIAL CHLORIDE WASTE MATERIALS

Pilot scale testwork was successfully undertaken at Newcastle to recover iron and hydrochloric acid from a chloride waste stream produced at an industrial plant by a major international corporation. It is likely this work will lead to several new patent applications, so the nature of the work is confidential. However Austpac will continue to work with this group in the coming months and expects this will lead to further significant developments before the end of the year.

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.