



## QUARTERLY REPORT TO 31 MARCH 2011

### HIGHLIGHTS

- In January 2011, Austpac and Kronos International Inc. (Kronos), a major titanium dioxide pigment producer, agreed in principle on the terms for an investment in Austpac's Newcastle facilities.
- In early April 2011, Austpac signed definitive agreements with Kronos which provide funding for the construction, commissioning and initial operations of the Newcastle Iron Recovery Plant, together with other development work at Austpac's Newcastle facilities. Kronos will provide \$12.5 million for this work; \$6.5 million through share placements and \$6 million for a technology licence.
- In mid April 2011, Austpac issued 11,470,588 shares to Kronos at 8.5 cents each, raising \$975,000. Austpac will issue a further 65 million shares at 8.5 cents each to raise \$5,525,000, to be approved at an Extraordinary General Meeting in May 2011.
- Kronos will also provide a further \$6 million in licence fees to use Austpac's Enhanced Acid Regeneration System (EARS) and Metallisation (Austpac Reduced Iron, "ARI") processes at their titanium dioxide (TiO<sub>2</sub>) pigment plants.
- Construction of the Newcastle Iron Recovery Plant is now underway, and commissioning is scheduled to commence in the fourth quarter of 2011.

### THE NEWCASTLE IRON RECOVERY PLANT

Austpac has signed definitive agreements with Kronos International Inc. which provide terms for funding the construction, commissioning and initial operations of the Newcastle Iron Recovery Plant, together with other development work at Austpac's Newcastle facilities.

Austpac has issued 11,470,588 shares to Kronos, priced at 8.5 cents each to raise \$975,000. Austpac will issue a further 65 million shares at 8.5 cents each to raise \$5,525,000, to be approved at an Extraordinary General Meeting on 23<sup>rd</sup> May 2011. Kronos will then become Austpac's largest shareholder, holding 7% of the Company. BHP Billiton will be Austpac's second largest shareholder with a 5% holding.

Subject to the terms of the definitive agreements, Kronos will also provide a further \$6 million in licence fees to use Austpac's EARS and Metallisation processes at their titanium dioxide (TiO<sub>2</sub>) pigment plants.

Kronos, together with its affiliates, is a major TiO<sub>2</sub> pigment producer with plants in the United States, Canada, Germany, Norway and Belgium. Kronos became interested in Austpac's technologies in 2010 following successful pilot scale testwork at Newcastle. This testwork demonstrated that fresh hydrochloric acid and iron could be produced from a chloride waste stream generated by the chloride TiO<sub>2</sub> pigment process.

Construction of the Newcastle Iron Recovery Plant has now commenced with the rebuilding of the EARS and Metallisation sections that were used in 2008 during operations at the Enhanced Roasting and Magnetic Separation Synthetic Rutile (ERMS SR) Demonstration Plant. These sections have been extensively redesigned and over \$8 million will be spent to create a robust, state of the art plant capable of long term operation.

Commissioning will commence in the fourth quarter of 2011, and operations are scheduled to commence by the end of the year. The Newcastle Iron Recovery Plant will be owned and operated by Austpac and subsequently it will be used to commercially recycle mill scale and pickle liquor produced by the steel industry. The Newcastle facilities will also be used for short periods to undertake large scale testwork for Kronos.

Two agreements were signed by Austpac in 2010 for the supply of raw materials and the sale of products for initial operations at the Newcastle Iron Recovery Plant. The first was with Orica Australia for the supply of spent pickle liquor and the sale of regenerated hydrochloric acid, and the second was with CMC Comerals Australia for the supply of mill scale and coal and the sale of iron products and char.

The Newcastle Iron Recovery Plant will showcase Austpac's recycling technologies for the steel industry and this is expected to lead to a number of commercial opportunities for Austpac's processes around the world. This includes participation in new recycling plants and licencing the technologies to steel makers.

## **MURRAY BASIN EXPLORATION VICTORIA**

Australian Zircon N L (AZC) has informed Austpac that during the quarter ending 31 March 2011 it has appointed an experienced engineer to manage the compilation of data relevant to a bankable feasibility study on the WIM150 project and to supervise key roles contracted out to three consulting organisations. AZC also completed an infill drilling program in the northern sector of the project area, entailing 22 holes for a total of 471 metres. Austpac understands that the results from this drilling will facilitate an update to the Indicated Mineral Resource model for the WIM150 deposit.

There has been no judgement yet in regard to the litigation in the Supreme Court of Western Australia.

Austpac has commenced a compilation of past exploration operations within EL 5291 at Nhill in Victoria. Several major companies recently conducted significant surface technical work, but did not undertake drilling into the target basement formations.

*For further information please contact:*

Mike Turbott

Managing Director - Tel (+61-2) 9252-2599

*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.

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