



QUARTERLY REPORT TO 31 MARCH 2014

HIGHLIGHTS

- Austpac is in advanced negotiations with a major international corporation to develop markets for the Company's iron products and technologies around the world.
- Construction and commissioning of the Newcastle Iron Recovery Plant (NIRP) is continuing. Achievements during the Quarter include:
 - Fabrication and installation of critical support beams for the stoves in Level 6 of the North Tower were completed.
 - Fabrication and painting of the support beams for the gasification and metallisation fluid beds are almost complete and their installation in Level 9 is about to commence.
 - The compressor in the plant services room was connected to the electrical supply and high pressure air lines were run to the Tower to facilitate ongoing operations.
 - Six screw feeders for solids transfer from the silos and in the briquetting area were delivered to the Plant and readied for installation.
- The first phase of pilot scale processing of waste furnace dusts for BlueScope Steel was successfully completed. Iron oxide dust and spent pickle liquor supplied by BlueScope were used to produce hydrochloric acid and iron metal pellets.
- Early in the Quarter, an application for a new patent was lodged to protect Austpac's iron reduction process.

Marketing Austpac's Iron Products and Technologies

Austpac is in advanced negotiations with a major international corporation to develop markets for the Company's iron products and technologies around the world

Over the past four years, Austpac has processed a number of iron oxide raw materials using the Company's pilot scale equipment at Newcastle, and it has been confirmed that several of the iron products are highly suitable for use in specialty sectors of the steel industry. With the NIRP commencing production this year following the Plant's commissioning using mill scale and furnace dusts, subject to finalising a formal agreement, the parties will form a commercial alliance to maximize the benefits generated by commercial operations at the NIRP, and also to identify both specialty markets and applications for Austpac's technologies around the world.

Progress at the Newcastle Iron Recovery Plant

During February 2014, eight critical support beams for Level 6 of the North Tower were fabricated in-house. To expedite this work, a shipping container was modified for use as a sandblasting and painting booth, as the steelwork required a special epoxy acid-resistant coating. These beams were installed in March 2014.

To facilitate ongoing construction and sandblasting operations, in February 2014 the high pressure air compressor in the plant services room was connected to the electrical supply and lines were run to the Tower. High pressure air was also necessary to operate the pilot scale fluid bed evaporator in the Tower that is being used to produce iron chloride/iron oxide pellets from spent pickle liquor and iron oxide dusts.

In March 2014, fabrication and painting of the beams to support the two fluid beds for gasification and metallisation commenced. This work is almost completed and the beams will be installed in Level 9 in the next few weeks.



Sandblasting operations underway in the modified shipping container



Painted beams prior to installation in Level 6 of the North Tower



Installing the cross member beams in Level 6 of the North Tower



Completed installation of Level 6 support beams

The North Tower will house the main process units of the Plant, namely the EARS acid regeneration and iron reduction/metallisation equipment. This comprises four fluid beds for evaporation/pelletisation, pyrohydrolysis, gasification and iron reduction, two stoves for heat recovery, and ancillary pumps and gas compressors. The acid absorption and gas scrubbing columns will be installed on the external walls adjacent to the fluid beds.

The gasification and metallisation fluid beds are lowermost in the Tower and will be installed first. Once the high temperature tuyeres are fabricated they will be installed in a refractory-lined plenum, which is the lower part of a fluid bed vessel that distributes fluidising gases into the bed of solids. The plenums will then be bolted to the upper bodies of the fluid beds prior to their installation.

During March 2014, six solids screw feeders were delivered to the Plant and were readied for installation. Four will be used to discharge solids from product and raw material silos that were installed adjacent to the iron briquetting area in 2013, and two will be used to blend and convey feed materials to the briquetter.



The gasification and metallisation fluid beds awaiting assembly



Inspecting three of the solids screw feeders



Screw feeders will be installed on each of the four silos

Processing of Iron Oxide Furnace Dusts for BlueScope Steel

Under an agreement signed with BlueScope Steel in December 2013 Austpac will, during the final phase of commissioning of the NIRP will process a 1,000 tonne sample of waste iron oxide dusts produced from furnaces during steel-making operations at BlueScope Steel's Port Kembla facilities. BlueScope will also provide sufficient spent pickle liquor to facilitate the bulk trial, and will purchase the iron briquette product for testing at Port Kembla, as well as the regenerated hydrochloric acid and other by-products.

Prior to the bulk trial, Austpac will process 200kg of a blend of furnace dusts through the Company's pilot scale facility at Newcastle to confirm operating parameters for the bulk trial at the Plant. BlueScope has provided samples of furnace dusts, spent pickle liquor and coal, and the first phase of the pilot scale operations has been completed. This work comprises the three integral steps of Austpac's EARS/iron reduction processes; evaporation-pelletisation, pyrohydrolysis and metallisation.



BlueScope engineers examining the fluid bed evaporator used to process iron oxide dusts



John Winter explaining the operation of the pilot scale fluid bed roaster to BlueScope engineers

Initially, iron chloride/iron oxide pellets were produced from a slurry of furnace dusts and spent pickle liquor. The pellets were then pyrohydrolysed in a batch fluid bed roaster to produce hydrochloric acid and iron oxide pellets, which in turn were reduced in the batch roaster to metallic iron using Austpac’s proprietary iron reduction process. Analytical results are awaited but preliminary tests indicate the work was successful.



Iron oxide/iron chloride pellets from evaporation stage



Iron oxide pellets from pyrohydrolysis stage



Iron metal pellets from metallisation stage

New Patent Application, “Direct Reduction”

In early February 2014, Austpac filed a patent application to protect the Company’s iron reduction process. Austpac had previously filed a number of applications to cover earlier iterations of this technology, but it was not until 2013 that the process was perfected at Newcastle. Many direct reduction patents exist but Austpac’s process is unique and patent protection is essential before the NIRP becomes operational and competitors become aware of the potential of our technologies.

EL 5291 (Nhill)

At EL 5291 (Nhill) in late March 2014, a drillhole penetrated a thicker sequence of marine sediments than previous holes and encountered the target basement at 149m. The hole continued for another 16m in basement material until the hardness of the rock precluded further penetration, for a total depth of 165m. Strongly altered rock fragments were recovered and samples have been shipped for petrological study and geochemical analysis. Results are anticipated in May.

Mining Exploration Entities

EL 5291 (Nhill); Located between Nhill and Dimboola, Victoria; 100% Austpac Resources N.L.

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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.