



QUARTERLY REPORT TO 30 SEPTEMBER 2014

HIGHLIGHTS

- **Austpac is engaged in negotiations with a major international company involved in the steel industry and is close to finalising project funding to complete construction, equipment installation and commissioning of and initial production at the Newcastle Iron Recovery Plant.**

The company will make further announcements as documentation progresses.

- **Austpac has also continued discussions with a major international diversified engineering, technology and equipment provider which is evaluating Austpac's technologies because of the value that Austpac's processes could add to its business.**
- **During the quarter, construction of the Newcastle Iron Recovery Plant continued. Modifications were made to the pilot scale facility to improve operability. A second phase of testwork on the fine iron oxide dust from steel furnaces was successfully completed.**
- **In July 2014, the Company completed a private placement of 11,000,000 fully paid ordinary shares at 2.2 cents each to raise \$242,000. In September 2014, the Company completed a private placement of 13,750,000 fully paid ordinary shares at 2.2 cents each to raise \$302,500. These shares were placed with professional investors. The funds are being used for working capital and the ongoing construction and commissioning of the Newcastle Iron Recovery Plant.**
- **Exploration momentum is building along the Mount Stavelly Volcanic Belt in western Victoria, as companies and Government agencies undertake drilling campaigns, endorsing Austpac's exploration program at Nhill.**

NEWCASTLE IRON RECOVERY PLANT

Negotiations are progressing well with a major international company involved in the steel industry to provide the funding to complete construction, commissioning and initial production at the Newcastle Iron Recovery Plant. It is anticipated that these negotiations will be concluded shortly.

During the quarter, Austpac provided process information under a confidentiality agreement to a major international diversified engineering, technology and equipment provider. This company is evaluating Austpac's technologies because of the synergies between our respective processes which could add value to its business.

During the quarter, Austpac personnel continued construction work at the Newcastle Plant, focused primarily on preparation and fabrication of steelwork for the northern extension to the process tower.

During the first half of 2014, the pilot scale facility was used to process fine iron oxide-rich furnace dusts from a steel mill. The first stage of Austpac's EARS/Iron Reduction process entails mixing furnace dust with spent pickle liquor (SPL) in a fluid bed evaporator to form iron chloride-iron oxide pellets for the subsequent process stages of pyrohydrolysis and metallisation.

During the September 2014 quarter, the evaporator's feed system was modified so that SPL could be kept separate from the reactive iron oxide slurry until it was entrained in the fluid bed. The use of dual feed nozzles successfully produced stable mixed iron chloride-iron oxide pellets which are an ideal feed for pyrohydrolysis.

Following the modifications and operation of the pilot scale evaporator, the second phase of testwork was undertaken using SPL and furnace dust from the steel mill in Port Kembla, New South Wales. This included processing the raw materials to produce fresh acid, iron pellets and other by-products. The work was assisted by engineers from the steel mill, who collected samples of solids and off-gases for analysis. One further campaign is planned to assist operational planning for the 1,000 tonne bulk test planned for 2015 during commissioning of the Newcastle Iron Recovery Plant.

EL 5291 NHILL EXPLORATION

Geoscience Australia (GA) recently completed a drilling program in the Stavely Zone, western Victoria to test geological models and assess the potential for a range of mineral systems, with a focus on porphyry copper-gold and volcanic-hosted massive sulphide systems. This is a collaborative project being undertaken with the Geological Survey of Victoria, in partnership with the Deep Exploration Technologies Cooperative Research Centre. A total of 2,700 metres were drilled, and diamond core from 13 of the holes provided basement material for a range of analytical studies. Austpac has supplied basement samples from its drilling operations in the Stavely Zone to GA personnel for further study.

Mining Exploration Entities

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

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] 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.