



QUARTERLY REPORT TO 30 SEPTEMBER 2010

HIGHLIGHTS

- In August 2010, Austpac signed an agreement with Orica Australia Pty Ltd for the supply of spent pickle liquor and the sale of regenerated hydrochloric acid for the Newcastle Iron Recovery Plant.
- In September 2010, Austpac signed an agreement with CMC Cometals Australia for the supply of raw materials (iron oxide and coal) and for the marketing of the products (iron chips or briquettes and char) from the Newcastle Iron Recovery Plant.
- Negotiations are now well advanced and terms are being finalised with a major international corporation to provide funds for the Newcastle Iron Recovery Plant, and also to evaluate specific commercial applications for Austpac's ERMS SR and EARS technologies, such as the recycling of chloride waste streams. It is anticipated that definitive agreements will be in place before the end of the year, so that the Newcastle project will be underway early in 2011.

THE NEWCASTLE IRON RECOVERY PLANT

The Newcastle Iron Recovery Plant is a recycling project that will convert mill waste from the steel industry into saleable products for re-use by industry. Spent pickle liquor (SPL) and mill scale will be used to make hydrochloric acid (HCl) and high grade iron (referred to as Austpac Iron) using the EARS acid regeneration section of the ERMS SR Demonstration Plant at Newcastle.

Modifications to the EARS section in the pre-existing ERMS SR Demonstration Plant include:

- Infrastructure for the delivery and handling of up to 25,000 tonnes per annum (tpa) of mill scale and 6,000 tpa of coal, the production and despatch of up to 18,000 tpa of Austpac's iron product,
- Infrastructure for the delivery of 13,000 tpa SPL and the despatch of 7,500 tpa of regenerated HCl,
- Replacement of some high temperature equipment with refractory lined components,
- Sourcing a number of specialist items and other equipment from offshore suppliers,
- Installation of improved materials handling systems and relocation of some equipment and pipe work to improve plant operability, and
- Redesign and fabrication of the metallising section for Austpac Iron production.

The revised plant flow sheet incorporates commercially robust equipment and adheres to best design and safety practice. Austpac is confident that the Newcastle plant will achieve excellent operability and produce high quality materials within specifications.

The relevant licences have been received from NSW DECCW and from Newcastle City Council to operate the Newcastle Iron Recovery Plant. Construction is continuing and it is anticipated that, provided funding arrangements are in place, the Plant will commence commercial operations in 2011.

The Newcastle Iron Recovery Plant will demonstrate the effectiveness of the Company's technologies for treating and recycling steel mill waste and by-products. It will act as a model reference site and assist Austpac to develop additional commercial opportunities in the steel and related industries around the world.

SUPPLY AND SALES AGREEMENTS

In August 2010, Austpac signed a Memorandum of Understanding with Orica Australia Pty. Ltd. (Orica) for the supply of spent pickle liquor and the sale of regenerated hydrochloric acid that will be produced at Austpac's Newcastle Iron Recovery Plant. The MoU will be replaced by a definitive agreement, which is in preparation. Orica is an Australian-owned, publicly-listed global company with operations in around 50 countries. Orica has three business divisions; Orica Mining Services, Minova, and Orica Chemicals, and the Company is currently ranked as one of the top 30 companies listed on the Australian Stock Exchange based on market capitalisation. The initial agreement, which is mutually renewable, will continue for two years and covers Plant commissioning, initial operations and includes provisions for the expansion of Plant capacity. The parties also intend to explore mutually beneficial opportunities to broaden the use of Austpac's acid regeneration technology in the chemicals industry at other locations around the world.

In September 2010, Austpac signed an agreement with CMC Cometals Australia ("CMCCA") for the supply of raw materials for the production of Austpac Iron products and for the marketing of the iron products, in the form of chips or briquettes, and of the char derived from coal by the process; two valuable commodities that will be produced at Austpac's Newcastle Iron Recovery Plant. CMCCA is a division of CMC (Australia) Pty Ltd, which is owned by Commercial Metals Company ("CMC") of the USA. CMC and its subsidiaries manufacture, recycle and market steel and metal products, related materials and services through a network including steel mini-mills, steel fabrication and processing plants, construction-related product warehouses, a copper tube mill, metal recycling facilities and marketing and distribution office in the United States and in strategic international markets. The mutually renewable agreement will have an initial term of two years from the commencement of production and covers Plant commissioning and initial operations and contemplates Plant expansion. Austpac's EARS recycling process will be widely applicable throughout the steel industry, and CMCCA will give Austpac a significant advantage as the Company moves to commercialise its technologies around the world.

MURRAY BASIN EXPLORATION, VICTORIA

Australian Zircon N.L. (AZC), under a farm in agreement signed in 2004, has the right to earn an 80% interest in the portion of EL 4521 that covers the WIM150 heavy mineral sands deposit by completing a Bankable Feasibility Study, after which Austpac may elect to maintain a 20% participating interest or convert to a 10% net profits interest in the WIM150 project.

AZC has recently planned a 25 hole infill drilling program totalling 500m on the WIM150 resource. As tenement holder, Austpac has lodged the necessary documents with the Victorian Government, and has received formal approval for this program.

In late March 2010, Austpac announced that the Company had agreed to sell Exploration Licence 4521 (which contains WIM150) to Astron Limited for \$5 million to accelerate the development of the Newcastle Iron Recovery Plant. The sale is subject to Ministerial approval, and this approval has been delayed pending the outcome of legal action taken by Australian Zircon N.L. to prevent the sale. The matter is set for hearing in the Supreme Court of Western Australia in December 2010.

For several years, Austpac has been investigating the potential for gold and base metal mineralisation in the Cambrian basement rocks which occur beneath the much younger marine sediments of the Murray Basin. In February 2010, Austpac was granted funding of \$14,000 under Round 3 of the Department of Primary Industries "Rediscover Victoria" Drilling Program for a fence of vertical air core holes designed to further investigate the basement rocks below the Murray Basin mineral sands in the western portion of E.L. 4521.

During 2010, Austpac expanded the copper-gold search and in August 2010, the Victorian Department of Primary Industries granted Austpac a new tenement (EL 5291), covering an area of 746 square kilometres in western Victoria. The tenement covers extensions of the Stavely Volcanic Complex, which is considered highly prospective for base metal deposits.

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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 [www.austpacresources.com] is a minerals technology company focused on the titanium, steel and iron ore industries. It has been listed on the Australian Stock Exchange since 1986. Austpac's key technology transforms ilmenite into high grade synthetic rutile, a preferred feedstock for titanium dioxide pigment and titanium metal production. The technology is also being used to recycle waste chloride solutions and iron oxides produced by steel making and recover hydrochloric acid and high grade iron chips or briquettes.

WINNER: 2008 National Mining Awards APPLIED TECHNOLOGY OF THE YEAR