



## QUARTERLY REPORT TO 30 SEPTEMBER 2012

### HIGHLIGHTS

- Development activities at the Newcastle Iron Recovery Plant on Kooragang Island have included the completion of detailed modelling to simulate all chemical processes and provide a final mass and energy balance for the Plant. The results led to significant modifications to both the flowsheet and to some equipment, and during the Quarter these changes were incorporated into the 3D drawings of the Plant preparatory to construction and installation.
- The modified Plant now has a capacity to recycle 17,000 tonnes/year of mill scale and 34,000 tonnes/year of spent pickle liquor from steel mills, and produce 18,000 tonnes/year of iron chips or briquettes and 18,000 tonnes/year of hydrochloric acid.
- In July 2012, Austpac announced a placement of 57 million fully paid ordinary shares at 3 cents each to raise \$1,710,000 for the continuing development of the Newcastle Iron Recovery Plant and for working capital.
- In August 2012, Austpac completed a placement of 33 million fully paid ordinary shares at 6 cents each to Orient Zirconic Resources (Australia) Pty Ltd to raise \$1,980,000 for the continuing development of the Newcastle Iron Recovery Plant and for working capital. Once the Plant is operational, Orient Zirconic and Austpac will jointly investigate potential applications for the EARS acid regeneration and iron reduction processes within the Chinese steel industry.
- In August 2012, Austpac also announced the sale of EL 4521 to Orient Zirconic for \$7.5 million, subject to Orient Zirconic obtaining the consent of Australian Zircon as farminee. Orient Zirconic and Australian Zircon are currently progressing a mechanism to obtain consent for this sale. The sale is also subject to Ministerial approval of the transfer of EL 4521 to Orient Zirconic.

## Newcastle Iron Recovery Plant

As described earlier in 2012, initial process modelling suggested that a number of changes to the flowsheet would improve the operability and flexibility of the Newcastle Plant and enable it to process a wider range of materials. Implementing these improvements necessitated increasing the size of some equipment, and as a consequence the capacity of the iron chloride recycling section has increased significantly. This will result in greater revenue from hydrochloric acid when the Plant reaches full capacity.

During the quarter, the Plant modifications were incorporated into 3D drawings of the structure and equipment to assist construction and installation. Drainage pipework was upgraded at the Plant, and following its commissioning last quarter, the briquetter was used for operator training. Operating control sequences were finalised for the iron reduction section, and the design of the high temperature refractory distribution plates and tuyeres for the fluid beds in this section was completed. The specialist mill scale and coal elevators were fully tested at the manufacturer's premises, and minor modifications are being made prior to their delivery to the Plant. Refurbishment included painting sections of the existing process tower, and reconditioning of the existing vibratory feeders, weigh feeders, gas analysis apparatus and the raw materials handling hoppers was completed.

Construction will continue into 2013 and commissioning of sections of the Plant is expected to commence later in the second quarter, with the Plant fully operational in the second half of 2013.

## Additional Opportunities for Austpac's Technologies

The steel and related industries continue to show considerable interest in the development of the Newcastle Plant which will showcase our EARS acid recycling and iron reduction processes. Later in 2013, when the Plant is fully operational, Austpac will conduct a bulk trial on a sample from a waste dump of fine contaminated iron oxide for a steel producer, with the objective of negotiating a site-specific licence to recycle this waste. Austpac was also recently approached by a steel company interested in using the EARS acid regeneration and iron reduction processes at one of their plants in the USA.

The Newcastle Plant will also be used to trial large samples of other industrial wastes, including mixed iron and other oxide fines from steel making and zinc-rich chloride liquors produced during galvanizing operations. Such trials are expected to result in Austpac's highly effective recycling technology creating additional commercial opportunities through licences or participation in recycling plants elsewhere.

In addition to recycling opportunities, Austpac intends to produce samples of very high grade synthetic rutile from roasted ilmenite the company has in storage at Newcastle. ERMS SR synrutile has been recognised by titanium sponge manufacturers as a very attractive feedstock for titanium metal production. Recent discussions confirm that the long term future for titanium metal is positive, underpinned by the aerospace industry. A commercial ERMS SR plant to supply feedstock to titanium metal producers therefore remains another important objective of the Company.

## Exploration Licence 4521 Horsham

Austpac Resources NL applied for a Retention Licence over the WIM150 project area during the quarter and is progressing discussions concerning the application with the Victorian Department of Primary Industries.

Australian Zircon NL, which may earn an 80% interest in the WIM150 heavy mineral sands project in EL 4521, has advised Austpac that work conducted during the quarter on the WIM150 Bankable Feasibility Study and Environment Effects Statement included components of the project Environmental Studies, Mineral Processing, Mine Planning and Infrastructure.

In August 2012, Austpac agreed to sell Exploration Licence 4521 for \$7.5 million to Orient Zirconic Resources (Australia) Pty Ltd, subject to Orient Zirconic obtaining the consent of Australian Zircon as farminee. Orient Zirconic and Australian Zircon are currently progressing a mechanism to obtain consent for this sale. The sale is also subject to Ministerial approval of the transfer of EL 4521 to Orient Zirconic.

## Exploration Licence 5291 Nhill

The Nhill tenement covers strong NNW-trending magnetic and gravity anomalies delineated by government survey data. These anomalies represent features within the ancient basement that underlies the much younger sediments of the Murray Basin, and they are believed to include probable extensions of the Mount Staveley Volcanic Complex which is considered very prospective for base metal mineralization. The area of EL 4521 has been explored at shallow depths for mineral sands and coal, but the only previous investigation of the basement was widely spaced drilling in 1994, which was aimed at testing a different exploration concept.

During the quarter, an initial program of ground magnetic surveying at 1m station spacing was completed in the south-eastern portion of EL 5291. The high resolution measurements are very superior to the pre-existing 50m station spacing airborne data and are providing much more reliable models of the basement geology. More detailed ground magnetic surveys are planned as soon as access to land is possible following the crop harvest.

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.*

### **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.