



QUARTERLY REPORT TO 30 SEPTEMBER 2015

HIGHLIGHTS

- **Negotiations and discussions between Ixom Operations Pty Ltd (Ixom) and ABR Process Development (ABR) for the commercial progression of the Newcastle Plant continue to advance. In August 2015, the parties agreed to jointly assess the economics of combining ABR's and Austpac's processes in the Newcastle plant, with the objective of funding the completion of construction, commissioning and commencement of production.**
- **By integrating ABR's zinc recovery cell and incorporating an electric induction furnace into the flowsheet, the Plant will be able to recover three valuable products; concentrated hydrochloric acid, pig iron and zinc metal from chloride liquors and furnace dusts produced by the galvanising and steel manufacturing industries. As well as producing three value-added products, the modifications will reduce process risk, improve plant reliability and significantly improve its profitability.**
- **Ixom and ABR have provided relevant industry information and Austpac's assessment involved generating revised inputs and outputs, and capital and operating costs for the revised project, now termed the Newcastle Zinc and Iron Recovery Plant (NZIRP).**
- **Austpac has finalised a new mass and energy balance for the NZIRP, and the modifications will enable the plant to produce up to 15,000 tonnes per annum (tpa) of pig iron, 15,000 tpa of 33% HCl, and 3,700 tpa of zinc**
- **Austpac has now also finalised the capital and operating cost estimates for the NZIRP. This entailed combining the costs for ABR's zinc recovery section, the induction furnace for pig iron, and the extensive modifications to the original flowsheet. The significant revenue generated by the production and sale of zinc more than offsets the increase in capital cost, and the NZIRP will be an economically robust project.**
- **The results of the study are now being reviewed by the parties, and Austpac anticipates this will lead to agreement on a program to fund and develop the NZIRP during the current quarter.**
- **Austpac is pleased to advise that the initial response to the Shareholder Share Purchase Plan announced on 25 September 2015 has been positive, and at the request of shareholders the offer is being extended.**

NEWCASTLE ZINC AND IRON RECOVERY PLANT

In August 2015, senior executives from Austpac, Ixom Operations Pty Ltd (Ixom) and ABR Process Development (ABR) met to discuss modifying Austpac's iron recovery plant at Newcastle by adding ABR's proprietary zinc recovery process and an electric induction furnace to the flowsheet. Austpac has to date spent \$18.5 million on the "Newcastle Iron Recovery Plant", which was 85% complete and designed to produce briquetted iron and strong (25%) hydrochloric acid (HCl). With the additional equipment, the modified plant would produce pig iron, concentrated (33%) HCl and zinc metal by recycling chloride liquors and furnace dusts produced by the galvanising and steel manufacturing industries. The parties therefore agreed to assess the economics of the modified Newcastle plant, with the objective of funding the completion of construction, commissioning and commencement of production. This included generating revised inputs and outputs, and capital and operating costs for the revised project, now termed the Newcastle Zinc and Iron Recovery Plant (NZIRP).

During the quarter, the parties discussed and exchanged data to assist Austpac with the study. Initially a new mass and energy balance was developed for the NZIRP; this provided the inputs and outputs necessary to develop the Plant's operating costs. Austpac also developed a capital cost estimate by revising existing estimates for the completion of construction and combining these with the cost for the zinc recovery section, provided by ABR, and the cost of the induction furnace, provided by a leading furnace manufacturer.

The study concluded that the NZIRP will produce up to 15,000 tonnes per annum (tpa) of pig iron, 15,000 tpa of concentrated acid, and 3,700 tpa of zinc.

Austpac recently completed the capital and operating cost estimates for the Plant. These include the extensive modifications to the original flowsheet, the introduction of ABR's zinc recovery cells and the induction furnace. The significant revenue generated by the production and sale of zinc more than offsets the increase in capital cost.

The modifications to the Plant reduce process risk, improve Plant reliability, and significantly enhance its profitability; the NZIRP will be an economically robust project

Ixom and ABR are now reviewing the study results, which at this stage remain confidential. Austpac anticipates this will lead during the current quarter to agreement on a program to fund and develop the NZIRP.

The ability to recycle galvaniser SPL and EAF dusts, which generally contain very high levels of zinc, as well as SPL and furnace dusts from steel mills to produce concentrated hydrochloric acid, pig iron and zinc metal, is unique.

The combined technologies have applications in mini-mills in the USA, Europe and many other countries, which are widely used to produce iron and steel by using electric arc furnaces.

CORPORATE

The initial response to the Shareholder Share Purchase Plan, announced to the ASX on 25 September 2015, has been positive and at the request of shareholders the offer is being extended.

Austpac is in negotiations with a potential new investor who is offering a facility of up to \$1,200,000 via convertible notes. The Board is currently negotiating the terms of this facility.

The Company is also discussing privately sourced project finance of up to \$15 million to complete the improved plant.

EL 5291 NHILL EXPLORATION

EL 5291 covers strong aeromagnetic and gravity features which represent the covered continuation of the Mount Staveley Volcanic Complex considered prospective for porphyry and VMS style mineralisation. Austpac has previously conducted magnetic and gravity geophysical surveys within the EL and completed 5 holes to test basement targets. Geologic and petrologic results are sufficiently encouraging to warrant further work.

The technical and financial Annual Reports for EL 5291 were lodged to support renewal of EL 5291, which expired on 4 August 2015. Austpac is awaiting the renewal of the tenement, which is expected during the current quarter.

Mining Exploration Entities:

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

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] is a minerals technology company currently focused on recycling waste chloride solutions and iron oxides produced by steelmaking 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.