

31 October 2007

QUARTERLY REPORT TO 30 SEPTEMBER 2007**HIGHLIGHTS**

- **Construction of the 3,000 tpa ERMS SR synrutile plant is advancing on schedule and budget, utilising the \$5 million raised through the placement in June 2007 of 25,000,000 shares at 20 cents each to BHP Billiton. BHP Billiton is Austpac's largest shareholder with 3.8%.**
- **The ilmenite roasting section of the Demonstration Plant is 55% complete. Construction will be finished in January 2008, after which a three month campaign to roast at least 550 tonnes of ilmenite will commence. The leaching and acid regeneration sections will be ready for commissioning in May when the roasting program has been completed. The main campaign for this section will commence in July and be completed in August 2008, with around 300 tonnes of ultra-high grade synrutile and 200 tonnes of Direct Reduced Iron (DRI) produced for market trials. There is strong commercial interest in these two products.**
- **The program with OneSteel to regenerate acid from spent pickle liquor and to recover iron from mill scale and electric arc furnace dust ("EAF dust") was successfully completed in August 2007 with exceptional results. The EAF dust contained over 50% zinc oxide, which was separated from the iron and recovered separately. Recovery of zinc from both waste iron oxides and spent liquors generated by zinc galvanising operations will add significantly to the commercial value of the process. Commercial trials of this technology will commence in the second half of 2008 once the Demonstration Plant has completed the synrutile production run.**

THE ERMS SR PROCESS AND BHP BILLITON

The Agreement signed with BHP Billiton in June 2007 secured funding for Austpac's 3,000 tpa ERMS SR Demonstration Plant through the placement of 25 million shares at 20 cents each by raising \$5 million. This investment made BHP Billiton the largest shareholder in Austpac Resources NL with 3.8% of the issued capital.

In July 2007, Austpac appointed Richard Jurdeczcka as Construction Manager, reporting to Project and Technology Manager John Winter. Additional engineering, information technology, trades, occupational health and safety, and administrative staff have also been appointed. The expanded team will be responsible for completing the Demonstration Plant on schedule and within budget. Site offices have been erected and a comprehensive Occupational Health and Safety system has been implemented to ensure the Plant is a safe site, with access restricted to authorised personnel.

The construction of the roasting section of the Plant is 55% complete. Major equipment items, such as blowers for the fluid bed roasters, are now being delivered and their installation is underway. Offsite fabrication of the Process Logic Controller and associated electrical controls for the entire Plant is complete and these will be installed in November 2007. The roasting section will be completed in January 2008, and ilmenite roasting operations will commence immediately thereafter. A three month

roasting campaign is planned, during which time at least 550 tonnes of ilmenite will be processed. A bulk ilmenite sample is being secured for commissioning and initial operations, which will be followed by processing an additional tonnage of ilmenite from BHP Billiton's Corridor Sands deposit in Mozambique.

Final detailed design and the Hazards and Operations ("HAZOPS") review have been completed for the ilmenite leaching/calcining section for synrutile production, with the HAZOPS review for the EARS acid regeneration section, including the DRI (Direct Reduced Iron) equipment, scheduled for November 2007. Long lead time equipment for these sections of the Plant has been ordered, the fabrication of some items has commenced and a large, bunded concrete pad for the acid tank farm is almost complete. Construction of the ilmenite leaching/acid regeneration section will be completed in May 2008, to coincide with the end of the ilmenite roasting campaign. The EARS acid regeneration/DRI plant will then be commissioned using pickle liquor from OneSteel, and once sufficient acid is available, the synrutile production campaign will commence. This will continue until August 2008, by which time it is expected that around 300 tonnes of ultra high grade ERMS synrutile will have been produced, together with some 200 tonnes of DRI iron pellets.

Strong commercial interest has been shown in both the synrutile and DRI products. Bulk samples will be provided to selected groups for large scale plant trials, with a view to securing long term off take agreements for Austpac's planned 60,000 tpa ERMS SR synrutile plant. Austpac also anticipates entering into a long term contract for the supply of raw materials for this plant. These contracts will underpin the Bankable Feasibility Study for the 60,000 tpa plant, which will commence in the second half of 2008 once synrutile operations at the Demonstration Plant have been completed.

TREATMENT OF STEEL INDUSTRY WASTE AND ONESTEEL

In March 2007, Austpac signed an agreement with OneSteel to investigate the potential for Austpac's EARS acid regeneration and DRI processes to regenerate acid from spent pickle liquor and to recover iron from both mill scale and electric arc furnace dust ("EAF dust"), which are wastes generated by steel making. OneSteel provided pickle liquor, mill scale and EAF dust for pilot scale test work at Austpac's facilities on Kooragang Island.

The program was successfully completed in August 2007, and the results were exceptional. Hydrochloric acid was regenerated from the spent pickle liquor, and high value DRI iron pellets were made from both mill scale and EAF dust. Very significantly, the EAF dust supplied by OneSteel contained 50% zinc oxide. This was removed by Austpac's DRI process and we are confident that we will be able to recover the zinc, significantly adding value to EARS as a waste treatment process. The new process will not only be applicable to EAF dust, but also to recycling the waste zinc-rich chloride solutions produced by steel galvanising operations.

Testwork so far has been at pilot scale, but large scale test work will be undertaken using the Demonstration Plant once the ERMS SR synrutile production campaign is completed next year. The EARS acid regeneration/DRI section of the Demonstration Plant will have the capacity to process 40 tonnes per day (tpd) of spent pickle liquor (approximately 15,000 tpa) and up to 80 tpd of mill scale or EAF dust. The operational licence for the Plant will also include waste treatment and recycling, and it will have sufficient capacity to treat all spent liquors from the Newcastle area. It is anticipated that the Plant will be used for commercial waste treatment campaigns from late 2008 onwards.

There are over 100 pickling plants associated with steel facilities in the USA alone; and less than 10% of these plants recycle their waste. The potential for Austpac's processes to recover metals and hydrochloric acid from the worldwide steel industry is very significant, and Austpac has now commenced efforts to maximise the commercial benefits from the EARS and DRI processes for the Company. These activities will continue throughout the coming Quarter.

CHINA GOLD EXPLORATION

During the September 2007 quarter, Austpac and joint venture partner, AIM-listed Archipelago Resources Plc, continued negotiations with private companies involved in gold mining and exploration in the "Golden Triangle" of China to earn an interest in several projects by funding exploration drilling beneath existing or closed-down oxide mines. The completion of due diligence on the various tenements is critical to ensuring a proper framework for long-term investment in China. Sampling of exposed sulphide mineralisation at several old mines has been encouraging. The projects are owned by private Chinese companies which are able to contribute significant technical data, local operational expertise and valuable contacts with government. The targets are located in the highly prospective "Golden Triangle", which also contains the 4.6 million ounce gold Jinfeng deposit being mined by Sino Gold.

HORSHAM JOINT VENTURE (WIM150)

During the September 2007 quarter, Australian Zircon NL (AZC) continued work on the evaluation of drill samples and planning for a further phase of drilling in the fourth quarter of 2007.

Seven composite drill hole samples from the December 2006 program were sent for mineralogical analysis using the rapid and automated "QEMSCAN" method. Preliminary results confirm similar amounts of zircon and total TiO₂ – bearing minerals to those defined by the earlier CRAE work. Differences noted in individual TiO₂ phases were expected, reflecting the different methodologies employed in determining the mineralogy.

XRF analyses for the slimes component of the December 2006 drilling were also received. These data together with the mineralogical data have been forwarded to Snowdens for incorporation into the report they are preparing on the drilling campaign.

AZC's initial work on the WIM150 pre-feasibility study has addressed historical, environmental and infrastructural aspects, exploration and mining aspects, mineral processing, marketing and logistics. The pre-feasibility study is scheduled for completion in January 2008.

A work program was lodged with the Victorian Department of Primary Industries describing the proposed aircore drilling program planned for early November 2007. The program will deliver a fresh ore sample suitable for metallurgical testwork and also provide a greater level of geological confidence in the core area of the WIM150 resource.

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 member 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 listed on the Australian stock exchange in July 1986, and is a minerals technology company and emerging synthetic rutile producer. Austpac's technology is able to transform ilmenite into high-grade synthetic rutile, a preferred feedstock for titanium dioxide pigment production. This technology can be used to beneficiate a range of heavy minerals, as well as process waste chloride streams from a number of industrial operations and recover iron units from waste oxides produced by steel making.