

Commercialising Austpac's Value-Adding Technologies

Mike Turbott, Managing Director

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Austpac Resources -The Company

■ Listed on ASX July 1986	Code: APG
■ Shares on issue	649 million
■ Share price	13.5c (06/07/07)
■ Market Cap	\$88 million
■ Shareholders	4,200
■ Major shareholder	BHP Billiton 3.8%
■ \$5.2M in cash, no debt	

Share price up 864% in fiscal 2007 [Intersuisse resources index]

Strategy

Use Austpac's value-adding technologies, especially the ERMS & EARS processes to:

- Become a significant producer of high grade synthetic rutile feedstock for TiO_2 pigment and Ti metal manufacturers
- Produce iron units and recover acid from waste for the world steel industry (BOO plants)
- Produce Direct Reduced Iron (DRI) pellets from iron ore fines (licences)

Austpac's Business

Mineral processing

- **Titanium Industry:**

- Synthetic rutile for TiO_2 pigment & Titanium metal
- Fine mineral agglomeration

- **Iron and Steel Industries:**

- Recycling waste iron oxides and chlorides
- Direct reduction of iron ores (“DRI”)

Gold exploration - south east China

Management



Terry Cuthbertson, Chairman

Extensive international corporate experience including a practical operating knowledge of business practices and structures in China and India.



Mike Turbott, Managing Director

35 years' experience in the mining industry. Managed a wide variety of exploration and development projects in Australia, New Zealand, PNG, Indonesia, Philippines and N. America. MD of Austpac since its formation



Robert Harrison, Non-Executive Director

40 years' experience in the marketing commodities in Africa and Australia, with over 20 years specialising in titanium minerals and zircon.



John Winter, General Manager - Process Development

Chemical engineer; 15 years experience, expert in fluid bed roasting and chloride chemistry, developed new processes and know-how that has led to four patents/applications to date.



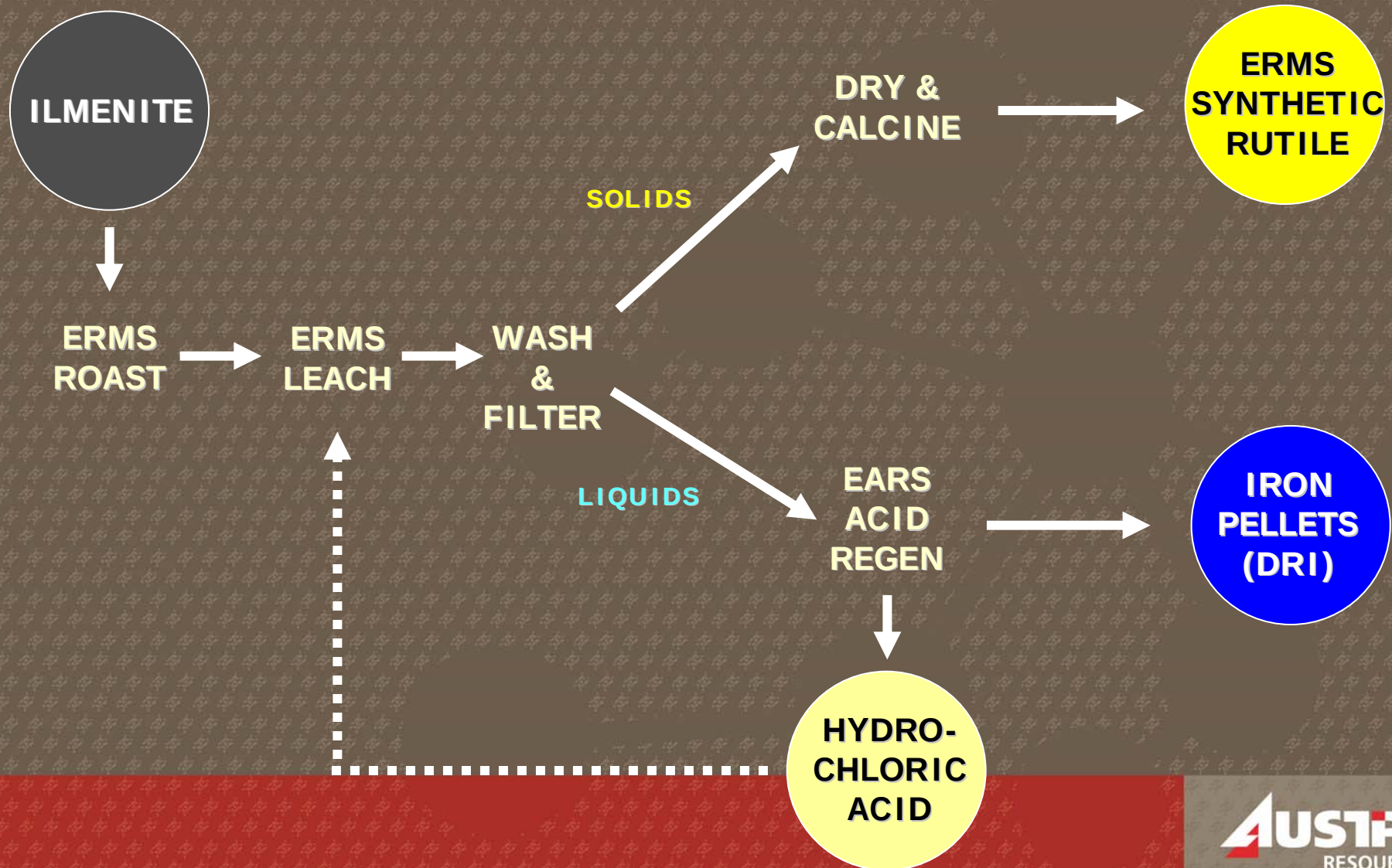
Richard Jurdeczka, Plant Construction Manager

Civil engineer; 33 years experience in design, construction and project management in industrial, infrastructure, mining and hydrocarbon projects

Our Processes

- **ERMS SR**
Roasts and leaches ilmenite to produce high grade synthetic rutile
- **EARS**
Converts iron chlorides in spent leach liquors into hydrochloric acid and iron pellets
- **Direct Reduced Iron**
Innovative fluid bed process to reduce iron oxide to iron metal
- **Agglomeration**
New fluid bed process to agglomerate fine minerals

ERMS SR & EARS Process



ERMS SR & EARS Process

Unique Features

Produces two valuable products

- Ultra-high grade synthetic rutile (for pigment and metal)
- Iron pellets for steel (instead of fine oxide waste)

Continuous - therefore lower capital & operating costs

Versatile - can treat any ilmenite and use any fuel
(solid, liquid or gas)

Environmentally friendly - no solid or liquid wastes
- no radioactivity

ERMS SR Demonstration Plant

Raw
Materials
Feed Bins
and
Enclosure

Plant
Control
Room

Motor
Control
Centre

Roaster
Train

Raw Materials
Hoist Shaft

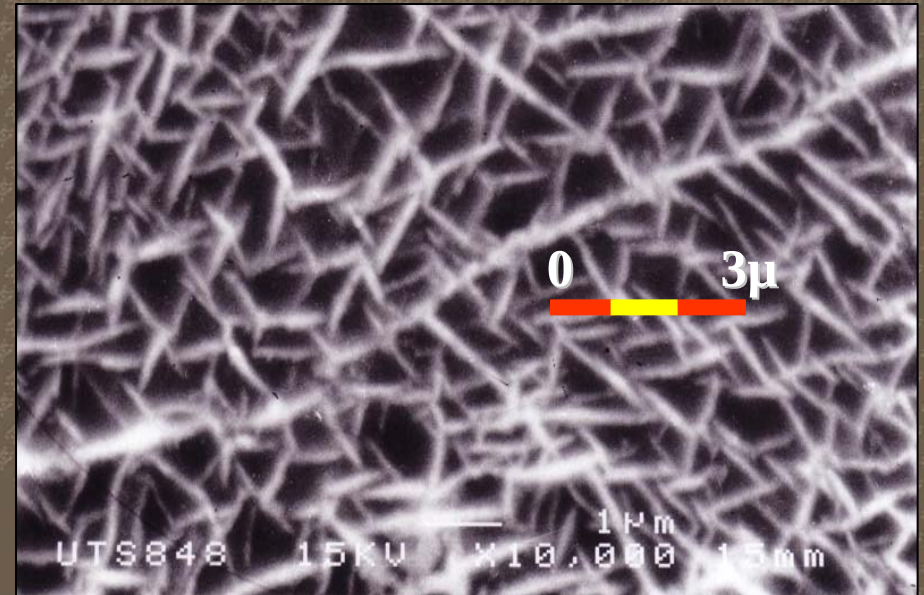
Magnetic
Separation
Building



ERMS SR

**World's highest quality
synthetic rutile (>96% TiO_2)**

■ TiO_2	97.0%
■ Fe_2O_3	0.55%
■ SiO_2	0.57%
■ Al_2O_3	0.17%
■ Cr_2O_3	0.01%
■ CaO	<0.01%
■ MgO	0.02%
■ MnO	0.01%
■ U+Th	<10ppm



BHP Billiton & ERMS SR

Research Agreement (Sep. 2006 - Jan. 2007)

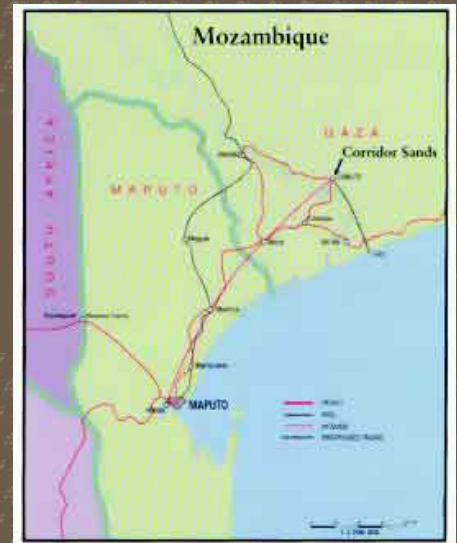
Commercialisation Agreement (May 2007)

- BHPB share placement raised \$ 5m (25,000 000 shares; largest shareholder with 3.8%)
- Integrated Demonstration Plant at Newcastle (3,000 tpa)
- BHPB licensed to use technology in Africa (fee based on gross sales revenue)
- BHPB owns Corridor Sands (>100Mt ilmenite)
- Next step: 60,000 tpa commercial ERMS SR plant

Jointly seeking opportunities to apply ERMS SR process elsewhere in the world

Corridor Sands

- Near Chibuto, southern Mozambique
- Ownership:
 - 90% Corridor Sands Limitada (BHP Billiton)
 - 10% Industrial Development Corp. of South Africa
- World's largest known heavy mineral ilmenite resource, >100Mt ilmenite (100-year-plus asset)
- BHP Billiton reconfiguring project



Titania Slag, ERMS SR option

Commercial ERMS SR Plant

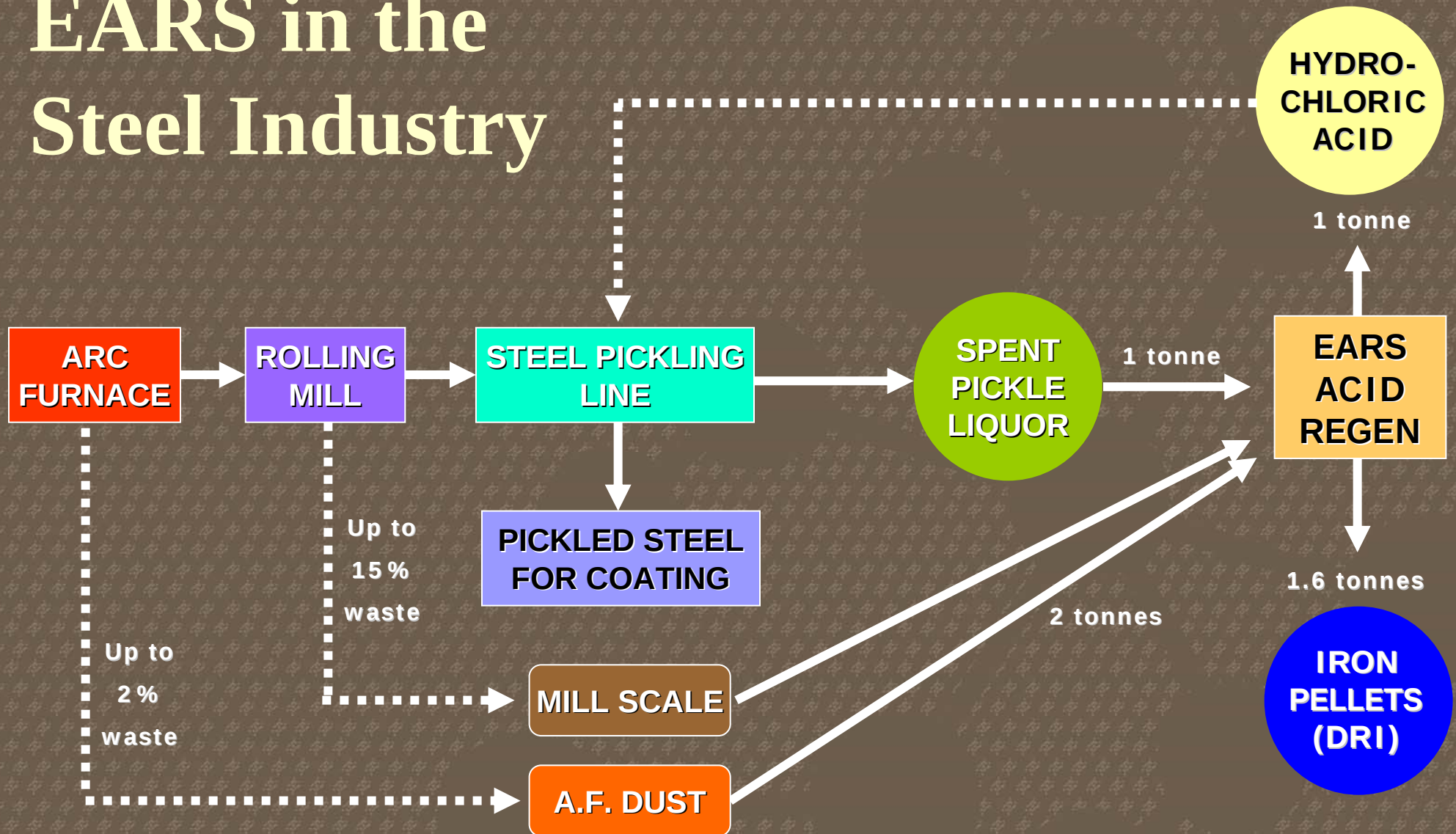
- Scale-up from Demonstration Plant – only 20:1
- 60,000 tpa ERMS SR plant (+ 45,000 tpa DRI pellets)
- Economically attractive:
 - Capital cost: ~\$ 85M
 - EBITDA: > \$ 35M
 - IRR: > 30%, Payback: < 3 years
- South eastern Australia possible location

EARS Process: Recycling in the Steel Industry

- EARS regenerates low cost hydrochloric acid from waste chloride solutions from steel pickling & galvanising operations
- Transforms iron units currently lost as mill scales and dusts into high value electric arc furnace feed

**1tonne pickle liquor + 2tonnes waste iron oxide
= 1tonne of fresh acid + 1.6 tonne iron metal**

EARS in the Steel Industry



EARS Iron Pellets (DRI)

**High purity feedstock for
steelmaking and foundries**

■ Fe	89.7%
■ FeO	6.00%
■ TiO ₂	0.16%
■ SiO ₂	0.18%
■ Cr ₂ O ₃	0.08%
■ MgO	1.18%
■ MnO	2.29%
■ V ₂ O ₅	0.84%
■ P ₂ O ₅	0.007%



OneSteel EARS Agreement

- Pilot scale test work with OneSteel (spent pickle liquors and iron oxide residues)
- Demonstration Plant is first step towards commercialisation
- Aim to prove viability of steel industry applications
- Will lead to early cash flows

“Build-Own-Operate” (BOO) EARS Plant

- 50 tpd plant – Capital cost ~ \$ 6M
- Opex \$130/t, Value >\$750/t; Profit = \$620/t
- Generates > \$ 10M profit p.a.

Metallising EARS Iron Oxide

- Fluid bed reduction of EARS iron oxide pellets to iron; a new DRI process developed in batch test work
- Continuous pilot scale unit was built to test the process prior to large scale implementation
- Process is being incorporated into EARS section of the Demonstration Plant



Other Technology Applications

- DRI process – Iron ores
- Agglomeration of fine minerals

Iron Ore to DRI

- Value addition in the iron ore industry:
 - Magnetite sands to direct reduced iron (DRI)
 - Low value iron ore fines to high value DRI
- The continuous metallisation unit at Newcastle demonstrated the process using Pilbara iron ore fines
- ERMS SR Demonstration Plant will be used to process bulk iron ore samples

Interest from iron ore producers



Fine Mineral Agglomeration

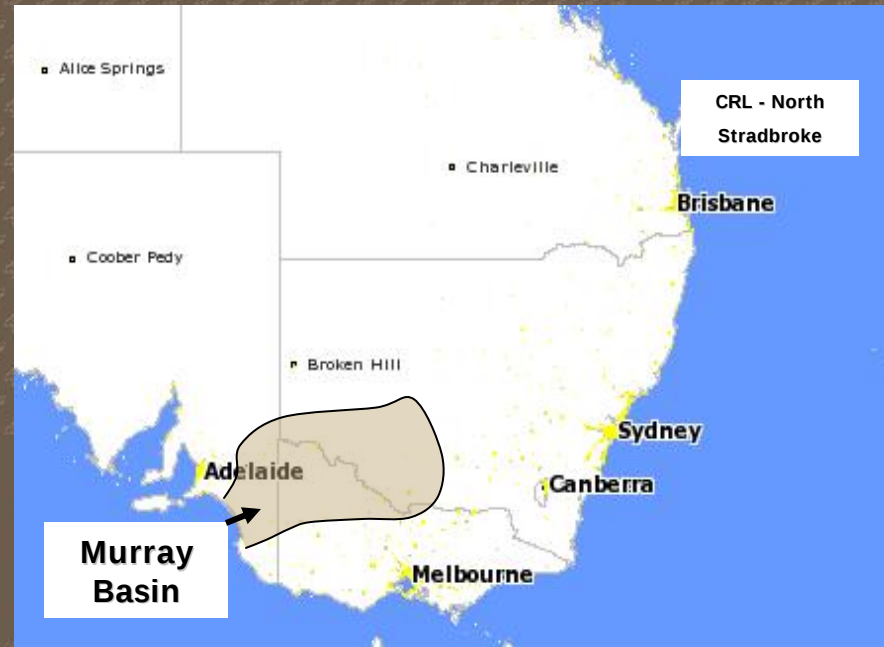
- New fluid bed process; no binders
- Demonstrated on “Hi-Ti” minerals



WIM 150 ilmenite could supply a south eastern Australian ERMS SR plant for >50 years

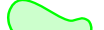
Murray Basin Mineral Sand Developments

**Huge value-add
potential**



- 2006 – two new mineral sand mines commenced production in the Murray Basin
- Unsaleable ilmenite (high chrome, needs ERMS)

ERMS SR: only suitable process for upgrading ilmenite

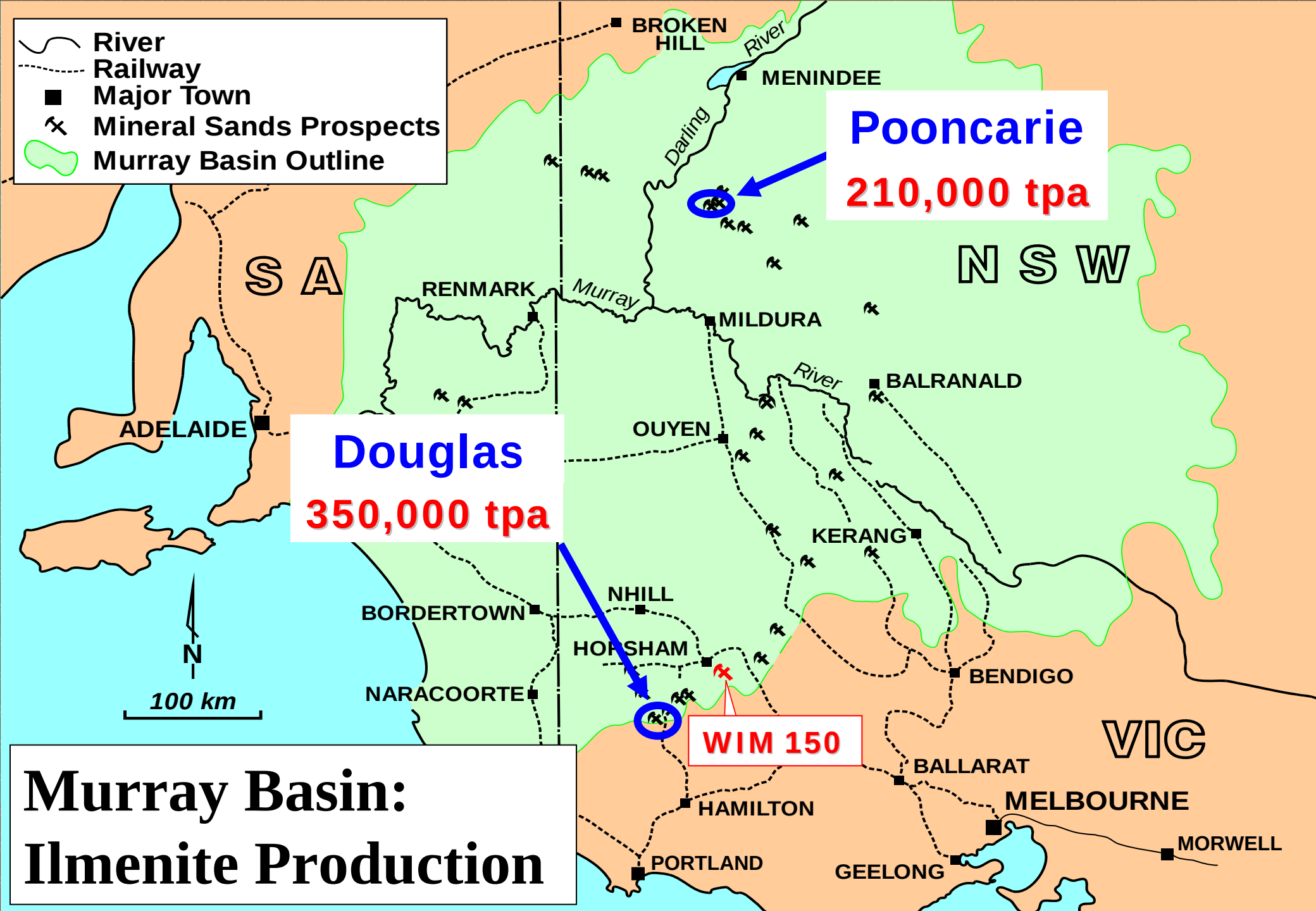
 River
 Railway
 Major Town
 Mineral Sands Prospects
 Murray Basin Outline

Pooncarie
 210,000 tpa

Douglas
 350,000 tpa

WIM 150

Murray Basin:
 Ilmenite Production



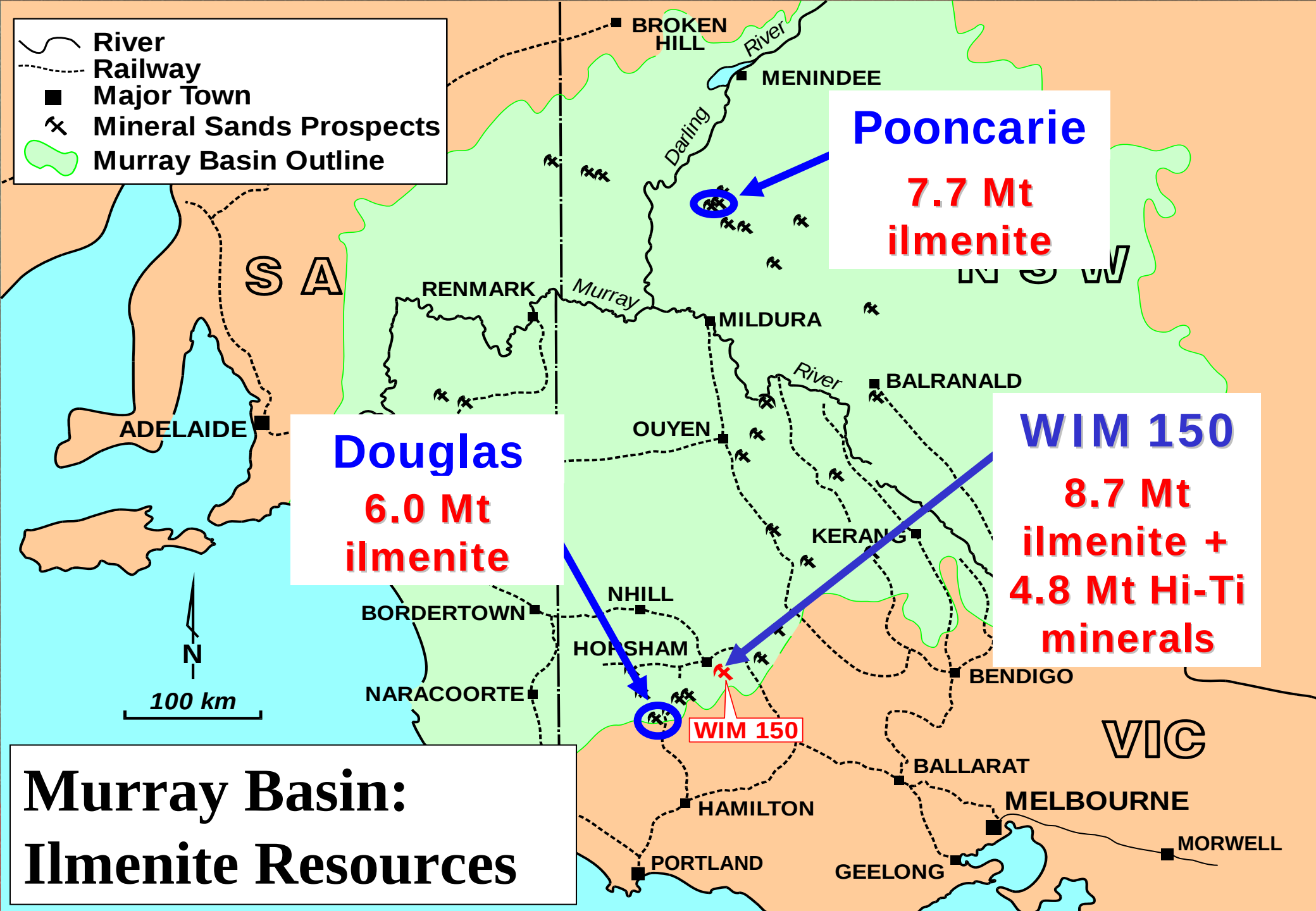
Iluka

Murray Basin Operations

High-chrome Ilmenite

BeMax





Austpac's WIM 150 Deposit

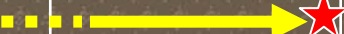
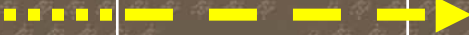
- Very large, fine grained HM deposit - zircon and high chrome ilmenite
- ERMS SR process can achieve ~96% TiO₂ fine grained synrutile
- Austpac's new agglomeration process solves fine grain size problem
- Proven reserves adequate to supply major ERMS SR plant for over 50 years
- JV: Australia Zircon will earn 80% upon completion of a BFS; zircon-focused

Austpac's Forward Program

- ERMS SR - Commercialisation with BHP Billiton
- EARS – Early cash flow from the Steel Industry
- DRI – Adds value to iron oxides and iron ores
- Agglomeration of fine minerals
- WIM 150 (Austpac can treat titanium minerals)

Project Timelines

(Fiscal Years)

Project	2007-08	2008-09	2009-10	2010-11	2011-12
Demonstration Plant (3,000tpa)					
60,000 tpa ERMS SR Plant - S.E. Australia					
EARS Plant #1 (Australia)					
EARS Plant #2 (Australia)					
DRI from iron ore fines (licences)					

 Cash Flow

Cash Generation Potential

(EBITDA, Fiscal Years)

Project	2007-08	2008-09	2009-10	2010-11	2011-12
60,000 tpa ERMS SR Plant - S.E. Australia	-	-	-	\$30M	\$35M
EARS Plant #1 (Australia)	-	-	\$5M	\$10M	\$10M
EARS Plant #2 (Australia)	-	-	\$1M	\$10M	\$12M
DRI from iron ore fines (licences)					
Project EBITDA (Cumulative)			\$6M	\$50M	\$57M

Investment Case

- World class, proprietary, value-adding technologies
- Widely applicable to Titanium and Steel Industries
- JVs with BHP Billiton & OneSteel
- Experienced management team
- Murray Basin (WIM 150 and ilmenite treatment opportunities)
- Low entry price into exciting growth company with long term earnings capability



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Global
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Industry

