



QUARTERLY REPORT TO 31 DECEMBER 2011

HIGHLIGHTS

- Construction of the Newcastle Iron Recovery Plant at Kooragang Island continued during the quarter, and accelerated through December as outlined in the Shareholder Update released to the ASX on 15 December 2011. The Plant will recycle mill scale and spent pickle liquor from steel mills and produce iron chips or briquettes and strong hydrochloric acid for sale to the industry.
- Construction of the Plant will continue through the March quarter of 2012. Testing of individual equipment items as they are installed has commenced and commissioning of each section of the Plant will start once installation is complete.
- Integrated commissioning is expected to take three months and will continue into the second quarter of 2012. The Plant is expected to be producing iron briquettes and hydrochloric acid late in the quarter.

Newcastle Iron Recovery Plant

The Newcastle Iron Recovery Plant was conceived to recycle mill scale and spent pickle liquor from steel mills and produce iron chips or briquettes and strong hydrochloric acid for sale to the industry. The project commenced in May 2011 with detailed design and ordering of long lead time items, and construction accelerated during the second half of 2011 with the delivery of materials and equipment to site.

The following milestones were achieved for the various areas of the Plant during the past quarter:

- **Solids Handling**
Mill scale will first be delivered to a covered bulk storage shed and transferred as required to the Plant by front end loader. Following the receipt of a Construction Certificate, the foundations and floor were laid and a steel structure has been erected and clad. The steel reinforcing for the concrete bunker walls in the shed is in place and the bulk storage area is nearly complete. The mill scale feed hopper, rotary screen and ball mill have been installed alongside the Plant and initial

testing of the screen was undertaken in late December 2011. Transfer conveyors to handle the solids have been constructed off-site and are being delivered. Coal handling systems are designed and some items are on site but installation is awaiting construction of the northern extension of process tower.

- **Process Tower Extensions and Product Silos**

Foundations were piled and laid for the northern and eastern extensions to the process tower for the EARS acid regeneration and metallising section and the briquetting areas respectively. All steelwork has been fabricated off site. Erection of the support structure to hold the iron chip and char products silos prior to briquetting was completed in November 2011. The first two of the four silos were installed in December and the others will be delivered to site shortly.

- **Suspended Plant Room and Briquetting Area**

A steel structure has been constructed over the briquetter to house and support some of the briquetter feed systems. This will also house fans, blowers and compressors for the Plant's air supply, as well as an afterburner coupled with a waste heat steam boiler for process steam, together with other sundry equipment. The walls have been clad and equipment installation will occur during the first quarter of 2012. The plant room will cover the briquetter and the adjacent briquetted iron load-out bunker to protect the product prior to their dispatch to market. In January 2012 Koeppern completed the installation and testing of the briquetter, and commissioning will commence when the silos and feed systems are completed.

- **Bulk Gas Storage**

A new gas storage area at the front of the Plant site was completed early in the quarter. The existing nitrogen tank was relocated to this area and an oxygen tank was also installed. Gas supply lines will be run to the Plant as construction proceeds.

- **Motor Control Centre**

A prefabricated building to house the new motor control centre was installed in the existing process tower early in the quarter and installation of the electrical equipment commenced during the quarter and is advancing steadily.

- **Power Supply Upgrade**

The existing power supply for the Plant was inadequate for commercial operations and the upgrade commenced by using a horizontal boring machine to install a 220 metre underground conduit and high voltage cable to supply power to site. A transformer and ancillary electrical equipment is being stored until the power supply company authorizes the installation.

- **Newcastle Staff**

The Austpac project team at Newcastle is headed by John Winter and now comprises 12 full time employees and consultants, including a chemical engineer who commenced work in January 2012. Additional employees will be selected in

the current quarter and will join the team for training prior to integrated commissioning and operations of the Plant.

Project Time-Lines

Delivery and installation of equipment will continue through the first quarter of 2012, and individual sections will be tested and commissioned as they are completed. Commissioning will continue for three months, integrated plant commissioning will commence during the second quarter and the Plant is expected to be producing iron briquettes and hydrochloric acid late in the quarter.

Murray Basin

Exploration Licence 4521 was renewed by Austpac on 1 December 2011 for a period of one year.

Australian Zircon has informed Austpac of the following activities on the feasibility study for the WIM150 Project in the period October - December 2011:

Six drillholes were completed in the core of the resource to provide samples for geotechnical testwork. Seventeen additional water bores were drilled to enable water level monitoring. Mineralogy studies from the 2011 infill drill program were completed by AMDEL. ATC Williams was engaged to complete a tailings study for the WIM150 feasibility study. AMC Consultants commenced development of a mining schedule. A flotation testwork programme and a gravity separation trial were undertaken to verify the comparative desktop study completed last quarter. The wet plant testwork program for the bulk sample commenced at CPG – Mineral Technologies' laboratory during November 2011. Documentation on environmental aspects of the WIM150 project was lodged with State and Federal authorities. The Victorian Minister for Planning announced his decision that an Environmental Effects Statement would be required. Contact with stakeholders continued during the quarter, including discussions with Austpac at the offices of the Victorian DPI. The feasibility study will continue in 2012.

For further information please contact:

Mike Turbott

Managing Director - Tel (+61-2) 9252-2599

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 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.