



## QUARTERLY REPORT TO 30 SEPTEMBER 2011 HIGHLIGHTS

- Construction of the Newcastle Iron Recovery Plant at Kooragang Island has progressed on schedule. 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.
- At the end of October 2011, the Newcastle Iron Recovery project is over 55% complete. Details of the considerable progress made during this quarter are described later in this report and in the Shareholder Update released to the ASX on 18 October 2011.
- Construction of the Plant will continue during the December quarter of 2011 and commissioning of sections of the plant will start later in the same quarter.
- Commissioning is expected to take three months and will continue into the March quarter of 2012. Integrated operations will commence once all sections of the Plant are commissioned.

### THE NEWCASTLE IRON RECOVERY PLANT

#### Project Background and Funding

The Newcastle Iron Recovery Plant project commenced during the second quarter of 2011. This followed the mid-April 2011 signing of definitive agreements with Kronos International Inc., for the provision of \$12.5 million in funding for the construction, commissioning and initial operations of the Plant, together with other development work at Austpac's Newcastle facilities.

The funds were provided through two share issues in April and May 2011 totaling \$6.5 million, and a further \$6 million is being provided to the project via a licence fee to enable Kronos to use Austpac's Enhanced Acid Regeneration System (EARS) and Metallisation/Austpac Reduced Iron ("ARI") processes at its plants around the world.

#### Project Progress

At the end of the second quarter of 2011, the Newcastle Iron Recovery project was over 30% complete. Design and engineering of the extensions to the process tower was well advanced, infrastructure installation and procurement of major equipment items was underway with long lead time items ordered.

At the end of October 2011, the Newcastle Iron Recovery project is over 55% complete. Considerable progress made during the quarter includes:

- Detailed engineering of the major sections and extensions to the Plant was completed.

- The construction of the new sections of the Plant has proceeded on schedule. Foundations for the northern and eastern extensions to the process tower were completed, fabricated steel work for these towers is being delivered to site and erection is commencing.
- Major equipment items are being fabricated off-site and will be ready for delivery and installation as required by the construction schedule.
- A Construction Certificate has been issued for the bulk mill scale storage shed and foundations for this shed and for the mill scale handling area in the Plant are complete.
- A new motor control centre, which is housed in a prefabricated building, was installed in the tower and electrical fit-out has commenced.
- The bulk nitrogen tank has been relocated and installed in a new gas handling enclosure, a new bulk oxygen tank has also been installed, and connection of services to this area is underway.
- Regular technical and project progress reviews and site visits by Kronos staff have continued.

Construction of the Plant will continue during the fourth quarter of 2011 and commissioning of sections of the plant will start later in the same quarter. Commissioning is expected to take three months, and integrated operations will commence once commissioning of all sections of the Plant are complete. Production will commence during the first half of 2012.

## **MURRAY BASIN, VICTORIA**

In August 2011, the Supreme Court of WA delivered the judgement that the Farm-In Agreement between Australian Zircon NL (AZC) and Austpac was non-assignable, and that therefore Austpac's Sale Agreement with Astron Limited was frustrated and at an end. Astron's appeal against this decision was discontinued in October 2011. Austpac has prepared the necessary documentation to seek renewal of Exploration Licence 4521.

AZC has advised Austpac that it is undertaking a comparative study on the recovery of heavy minerals from WIM150 ore in order to select the preferred process route. AZC has designed drilling programs to be conducted in October-November 2011 to provide core for geotechnical studies and to construct additional groundwater monitoring bores. A flora/fauna environmental study has commenced.

*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.

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