



30 April 2008

QUARTERLY REPORT TO 31 MARCH 2008

HIGHLIGHTS

- **Construction and hot commissioning of the ilmenite roasting section of the 3,000 tpa ERMS SR synrutile Demonstration Plant at Newcastle were completed on schedule.**
- **The current 24 hours per day, 7 days per week campaign of continuous roasting is treating 720 tonnes of ilmenite concentrate from three sources; CRL's mine on Stradbroke Island in Queensland, Bemax's Ginkgo mine in the Murray Basin, and BHP Billiton's Corridor Sands deposit in Mozambique. The continuous roasting campaign will be completed in June 2008.**
- **Construction of the leaching and acid regeneration sections is *over 70%* complete and will be ready for commissioning in July 2008.**
- **The synrutile production campaign will be completed in September 2008, with 300 tonnes of ultra-high grade synrutile and 200 tonnes of Direct Reduced Iron produced for market trials.**
- **In January 2008, Austpac signed an agreement with MultiServ Group Limited to identify and evaluate worldwide opportunities for the application of Austpac's processes in the steel industry.**
- **Australian Zircon has committed to undertake stage one of a Bankable Feasibility Study on the WIM150 zircon and titanium resource.**
- **China gold exploration negotiations continue with new developments expected to result in increased activity in the next quarter.**

THE ERMS SR SYNRTLILE DEMONSTRATION PLANT

Austpac continues to develop its innovative 3,000 tpa ERMS SR Demonstration Plant at Kooragang Island, NSW, to showcase its technologies for high grade synrutile production, and for recycling of iron chloride solutions to produce hydrochloric acid and a valuable iron co-product in the form of DRI pellets. **These technologies will produce high grade saleable products without any solid or liquid waste, making it the most environmentally friendly process available today.**

The Plant is being built in two stages; Stage 1 comprises ilmenite roasting and magnetic separation, and Stage 2 comprises ilmenite leaching, synrutile production, acid regeneration and iron pellet production. **Austpac's technologies will be proven ready for commercial application during the September quarter of 2008.**

A series of updates on the Austpac's Demonstration plant progress, together with photos and interviews, can be accessed through the company's website www.austpacresources.com.

STAGE 1 - Ilmenite Roasting and Magnetic Separation

Construction of Stage 1 of the Demonstration Plant and cold commissioning were achieved in February 2008. The Plant is fully automated with a Programmable Logic Controller (PLC) computer system. This ensures that critical process information (eg. temperature, pressure, flow rates, etc) is constantly monitored and automatically controlled during start up, operations and shutdown.

Hot commissioning of Stage 1 of the Demonstration Plant was achieved in March 2008, and the plant moved immediately to continuous operation (24 hours per day, 7 days per week basis). 150 tonnes of ilmenite concentrate from Consolidated Rutile Limited (CRL) were processed through the Plant at an average rate of 340kg per hour, **producing beneficiated ilmenite to design specification. Bench scale leaching of this material produced a 97% TiO₂ synrutile.**

The Demonstration Plant has now processed 100 tonnes of the 500 tonnes of ilmenite concentrate purchased from Bemax's Ginkgo mine in the Murray Basin for the "production" run. **Bench scale leaching of samples of the bulk-roasted Ginkgo ilmenite also produced ultra high grade synrutile, containing 97% TiO₂ and very low contents of radio-elements and other contaminants.** To ensure Austpac continues to produce ultra high grade synrutile in bulk during Stage 2 operations, it was decided to slow the roasting rate to around 280kg per hour. Thus the Ginkgo ilmenite roasting campaign will now continue into June 2008.

Stage 1 operations will conclude following the processing of 70 tonnes of ilmenite concentrate from BHP Billiton's Corridor Sands deposit in Mozambique. As Corridor sands ilmenite is a high iron ilmenite, similar to the Consolidated Rutile ilmenite, it will be processed at the higher rate. **The Stage 1 roasting campaign, which will treat a total of 720 tonnes of concentrate, will be completed in June 2008.**

STAGE 2 - ERMS SR SYNRTILE AND IRON PELLET PRODUCTION

Construction of Stage 2 of the Demonstration Plant is over 70% complete and this section of the Plant will be ready for cold commissioning in June 2008. This will be followed closely by hot commissioning in mid July 2008, with full operations commencing in August. During Stage 2 operations all the roasted ilmenite will be leached at a rate of 700kg per hour. Leaching and the ancillary EARS acid regeneration operations will be completed in September 2008.

Around 300 tonnes of high grade ERMS SR synrutile and 250 tonnes of metallised iron pellets will be produced for customer plant trials. **Strong interest is being shown in Austpac's ultra high grade synrutile by industry end users**, the sale of which should be finalised during the third quarter of 2008. Austpac's metallised iron pellets is also sought for testing by Australian steel producers with a view to obtaining long term off take agreements from a commercial ERMS SR plant.

The 2008 program is designed to lead into a full Bankable Feasibility Study (BFS) for the first commercial ERMS SR synrutile plant. A major engineering group will be selected during the coming quarter to observe operations at the demonstration plant and undertake an independent detailed engineering and costing study into a **60,000 tpa ERMS SR synrutile plant**.

AGREEMENT WITH MULTISERV FOR WASTE IRON RECOVERY IN STEEL MILLS

Austpac's technologies can also recover valuable products from steel industry wastes (eg. spent pickle liquor, mill scale and electric arc furnace dust). Pickle liquor from OneSteel Limited's Newcastle operations will be used to commission the EARS acid regeneration section of the Demonstration Plant. Following completion of Stage 2 synrutile production operations, the waste iron recovery process will be proven at a larger scale using pickle liquor and iron oxide waste from OneSteel. The Demonstration Plant will then be used to recycle steel industry wastes on a commercial basis, and as a reference site for the Company's technologies.

In January 2008, Austpac signed an agreement with MultiServ Group Limited to identify and evaluate **worldwide opportunities for the application of Austpac's processes** in the steel industry. MultiServ [www.multiserv.com] is the world's largest provider of outsourced, on-site mill services to the global steel and metals industries, with over 170 operating sites in 35 countries.

MultiServ has nine months to review Austpac's facilities and data to assess potential steel industry applications, during which MultiServ can opt to negotiate an exclusive agreement with Austpac for joint exploitation of the technology, including the procurement of funding for any plant built to recycle Mill Waste. Any Mill Waste plant in Australia wholly or partly owned by Austpac prior to exercising that option is excluded from the agreement.

MURRAY BASIN EXPLORATION LICENCE 4521

Australian Zircon (AZC) has committed to proceed with the first stage of a Bankable Feasibility Study into the WIM150 zircon and titanium mineral resource, following a positive recommendation from the prefeasibility study team. Testwork has shown that conventional feed preparation techniques (scrubber, trommel and cyclones) and special (fine grain size) spirals will successfully recover 85 – 90% of raw feed zircon to an acceptable grade Heavy Mineral Concentrate (HMC). A full Bankable Feasibility Study will examine options for further treatment of the HMC, including the option of transporting HMC to AZC's existing Mineral Separation Plant at Mindarie. AZC advise that Stage One of the Bankable Feasibility Study will commence with a detailed review of the applicable regulatory regime. A program of work will be agreed with Austpac, and with local authorities, which, on completion, will ensure that the project complies during each phase of its life with all relevant regulatory requirements. Plans will be prepared for pilot plant scale mineral recovery testwork. The results of this work, when complete, will be used to further refine flow sheet design at each stage of mineral processing. Particular attention will be given to slimes thickening and disposal of tailings.

CHINA GOLD EXPLORATION

Austpac is continuing negotiations with private companies and government subsidiaries involved in gold mine development in the 'Golden Triangle' of China. Current oxide gold mines have potential for significant sulphide-hosted gold mineralisation, which could be determined by exploration drilling beneath existing or old workings. Sampling of exposed sulphide mineralisation at several old mines has given encouraging results. Austpac seeks to earn an interest in such projects by funding drilling operations and feasibility studies through joint venture arrangements with the Chinese parties.

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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 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 [www.austpacresources.com] is a minerals technology company focused on the titanium, steel and iron ore industries. It has been listed on the Australian Stock Exchange since 1986. Austpac's key technology transforms ilmenite into high grade synthetic rutile, a preferred feedstock for titanium dioxide pigment production. The technology can also be used to process waste chloride solutions and iron oxides produced by steel making to recover hydrochloric acid and iron metal pellets. A third process can be used to produce Direct Reduced Iron (DRI) from both hematite and magnetite iron ores.