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NEWCASTLE IRON RECOVERY PLANT – PROJECT UPDATE

- **Plant construction and equipment commissioning continues**
- **Pilot scale processing of iron oxide dusts for BlueScope commences**
- **Patent Application lodged for iron reduction process**

Progress at Newcastle

Construction and commissioning of the Newcastle Iron Recovery Plant (NIRP) is continuing.

During February 2014, fabrication of eight critical support beams was completed for Level 6 of the North process tower. This structure will house the EARS acid regeneration and iron reduction/metallisation section of the Plant. To expedite this in-house fabrication work, a shipping container was modified for use as a sandblasting and painting booth, as the steelwork required a special epoxy acid-resistant coating. Installation of this steelwork will be completed next week.

Fabricating steel beams for the North Tower

Loading a beam into the sandblasting and painting booth

Sandblasting operations

Painted beams prior to installation

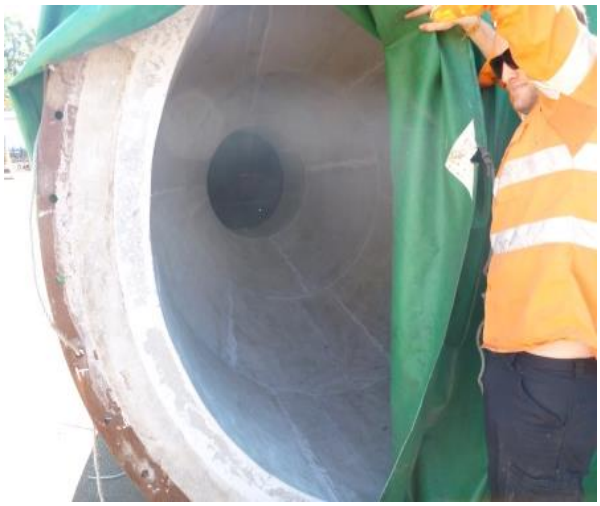
During February 2014, the compressor located in the plant services room that will supply high pressure air to the Plant was connected to the electrical supply. Air lines were run to the tower to facilitate ongoing construction, sandblasting and the operation of the pilot scale evaporator that will be used to produce iron chloride/iron oxide pellets from spent pickle liquor and iron oxide dusts.

Running the HP air line from the Plant services room to the Tower

Installing outlet valves on the HP air lines in the North Tower

Connecting the electrical controls for the air compressor

Fabrication, painting and installation of the steel support beams for Level 9 of the North tower will be undertaken during March 2014. Once these are in place the two fluid beds for gasification and metallisation will be installed.



Inspecting the interior of a refractory-lined fluid bed roaster prior to installation

Unloading the bulk dry sample mixer that will blend the BlueScope iron oxide dusts prior to processing

The Pilot Scale Facility

Austpac recently completed refurbishing the pilot scale facility at the Plant which mimics the processes that will be undertaken in the NIRP. This includes a separate laboratory as well as equipment including an evaporator to produce mixed iron oxide-iron chloride pellets from fine dusts and pickle liquor, and a new batch fluid bed roaster for both pyrohydrolysis and metallisation. The evaporator has now been successfully commissioned using pickle liquor and fine mill scale. The facility will allow a wide variety of steel mill wastes to be tested to verify they are suitable as feed for the Plant and also once the NIRP is operating, the laboratory will be used to monitor the products from each stage of the Plant to maintain quality control.

Installing the gas duct from the batch fluid bed roaster to the venturi-scrubber

Adjusting the pipework for the venturi-scrubber (background) to capture and sample roaster gases

Processing iron oxide furnace dusts for BlueScope Steel

In December 2013, Austpac agreed to undertake a bulk trial to recover iron and other by-products from waste iron oxide dusts for BlueScope Steel, Australia's largest steel maker. A 1,000 tonne sample of the dusts produced during the steel-making processes will be processed at the NIRP to produce saleable iron briquettes, hydrochloric acid and other by-products. It is planned to undertake the bulk trial during the last phase of commissioning of the Plant.

The BlueScope bulk trail will be conducted using a blend of iron oxide dusts collected from operations at the Port Kembla steelworks. Austpac has previously successfully trialed a number of these dusts and is confident the blend will pose no problems. BlueScope engineers visited the Plant in early March and delivered samples of the dusts which Austpac will combine using in a bulk dry sample mixer provided by BlueScope. 200kg of this blend will be processed through the new pilot scale facility during March to generate operating parameters for the Plant for the bulk trial later in the year.

BlueScope engineers examining the fluid bed evaporator that will process iron oxide dusts

John Winter explaining the operation of the pilot scale fluid bed roaster to BlueScope engineers

New Patent Application, "Direct Reduction"

In early February 2014, Austpac filed a patent application, to protect the Company's iron reduction process. Austpac had previously filed a number of applications to cover earlier iterations of this technology, but it was not until 2013 that the process was perfected at Newcastle. Many direct reduction patents exist but Austpac's process is unique and patent protection before the NIRP becomes operational and competitors become aware of the potential of our technologies is most important.

Future Developments

Iron oxide dusts are produced by many steel making facilities (e.g. blast, basic oxygen and electric arc furnaces) and often contain other metals such as zinc, which prevents them from being recycled by steel makers. Austpac's processes are believed to be the only technology able to recover both iron and other metals separately from furnace dusts and pickle liquors. The Newcastle Iron Recovery Plant will showcase this technology to the steel industry around the world.

The bulk trial for BlueScope will demonstrate the viability of our technologies, and when this is completed the Company will be well placed to licence its technologies to iron and steel plants around the world. Discussions continue with international steel producers who are interested in using Austpac's technologies.

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About Austpac Resources N.L. (ASX code: APG)

Austpac Resources N.L. [www.austpacresources.com] is a minerals technology company focused on the steel and titanium industries. It has been listed on the Australian Stock Exchange since 1986. Austpac's technologies are used to process waste chloride solutions and iron oxides produced by steelmaking to recover hydrochloric acid and iron metal pellets. Another technology, the ERMS SR process, can be used to transform ilmenite into high-grade synthetic rutile, a preferred feedstock for titanium metal and titanium dioxide pigment production.