



AUSTPAC RESOURCES N.L.  
ACN 002 264 057

Level 3  
62 Pitt Street  
SYDNEY NSW 2000  
GPO Box 5297  
SYDNEY NSW 2001  
Telephone: (+61 2) 9252 2599  
Facsimile: (+61 2) 9252 8299  
Email: [apgtio2@ozemail.com.au](mailto:apgtio2@ozemail.com.au)  
[www.austpacresources.com](http://www.austpacresources.com)

29 January 2016

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
Exchange Centre  
Level 6  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

RE: AUSTPAC RESOURCES N.L.  
QUARTERLY REPORT FOR PERIOD ENDED 31 DECEMBER 2015

We are pleased to provide Quarterly Report for the period ended 31 December 2015 for immediate release.

Yours faithfully

N.J. Gaston  
Company Secretary

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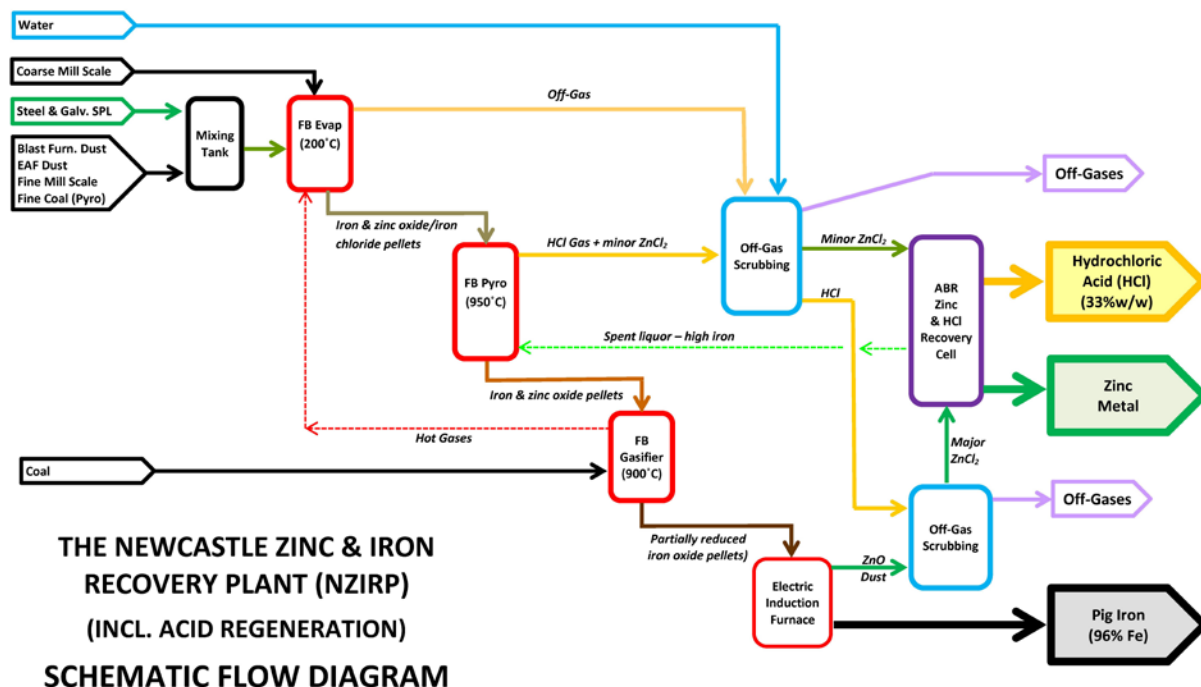
## QUARTERLY REPORT TO 31 DECEMBER 2015

### HIGHLIGHTS

- During the September quarter of 2015, Austpac, Ixom Operations Pty Ltd (formerly Orica Chemicals) and ABR Process Development agreed to evaluate the feasibility of modifying the Newcastle plant to recover concentrated hydrochloric acid, pig iron and zinc metal from chloride liquors (SPL) and furnace dusts produced by the galvanising and steel manufacturing industries. This will be achieved by integrating ABR's zinc recovery cell into Austpac's acid regeneration and iron recovery flowsheet creating a much improved facility termed the Newcastle Iron and Zinc Recovery Plant (NZIRP). Austpac undertook the preparation of a new mass and energy balance which was then used to produce preliminary capital and operating cost estimates for the revised plant. The results of this study were provided to Ixom and ABR during the fourth quarter of 2015.
- During December 2015, meetings were held to discuss the study and to refine the costings based on updated information on the availability of raw materials (SPL, mill scale and furnace dust) and the markets for the generated products (pig iron, zinc and HCl). The project economics were also updated. Once fully operational, the NZIRP will produce ~15,000 tonnes of pig iron, 6,600 tonnes of concentrated 33%w/w HCl and 3,700 tonnes of zinc per year, thus making the project economically robust.
- The work program prepared by Austpac to obtain the final design and project costs for the NZIRP prior to continuing construction at Newcastle was also discussed by the parties. Ixom is currently undertaking an internal approval process, following which further meetings will be held to reach agreement on structure, participation and project funding.
- Austpac and ABR are also discussing a closer cooperation arrangement to maximise the use of and benefits from their respective technologies.
- Austpac Resources' Shareholder Share Purchase Plan which closed on 30 November 2015 was well supported by smaller shareholders resulting in the issue of 100,439,943 fully paid ordinary shares at \$0.006 each to raise \$602,640. These funds are being used to commercially progress the NZIRP and for working capital.
- Austpac is in discussions with an Australian finance house and an associated US finance group regarding a project finance facility of up to \$15 million. The Company has also lodged a significant claim for an R&D tax concession refund for expenditure at Newcastle during the 2013-14 year. This will be used for working capital to advance the NZIRP project.
- Exploration Licence 5291 has been renewed for a term of four years. Austpac has applied for a grant for co-funding a geophysical and drilling program at Nhill under the Victorian Government's TARGET initiative.

## NEWCASTLE ZINC & IRON RECOVERY PLANT

During the first half of 2015, Austpac recognised the potential of a technology developed by ABR Process Development (ABR) to broaden the scope of the Newcastle Iron Recovery Plant to enable it to process zinc-contaminated furnace dusts. Austpac has spent \$18.5 million on the Newcastle plant, which was 85% complete and designed to produce briquetted iron and strong 25% hydrochloric acid. ABR's zinc recovery cell uses a patented membrane/electrolysis process to recover zinc metal and concentrated 33% HCl from mixed zinc-iron chloride waste solutions produced by the galvanising industry. By integrating that process into Austpac's EARS acid and iron recovery flowsheet, the Newcastle plant will be able to produce iron, zinc and concentrated HCl. A further enhancement is the replacement of the second stage of the iron reduction section with an induction furnace to produce pig iron, which is higher quality and therefore has higher value than briquetted iron. The modified plant will be unique as it will be able to recycle the often environmentally problematic chloride liquors and furnace dusts produced by the galvanising and the steel manufacturing industries.



In August 2015, Austpac and ABR met with senior executives of Ixom Operations Pty Ltd (Ixom) to discuss combining Austpac's and ABR's processes at the Newcastle plant. The parties agreed to evaluate the economics of the modified plant, with the objective of funding the completion of construction, commissioning and commencement of production. This necessitated generating updated inputs and outputs, and capital and operating costs for the revised project, which is now termed the Newcastle Zinc and Iron Recovery Plant (NZIRP).

During the third and fourth quarters of 2015, Austpac developed a mass and energy balance for the NZIRP from which the Plant's inputs and outputs could be derived. Austpac was then able to estimate the Plant's capital and operating costs, which will produce 15,000 tonnes of pig iron, 6,600 tonnes of concentrated 33% HCl and 3,700 tonnes of zinc per year.

The modifications to the Plant will reduce process risk, improve Plant reliability, and significantly enhance profitability, thus making the NZIRP economically robust.

During December 2015, the study results were reviewed by Ixom and ABR, who also provided updated information on the availability of raw materials (SPL, mill scale and furnace dust) and the markets for the ensuing products (pig iron, zinc and HCl). The parties also discussed the program necessary to obtain the final design and a definitive capital cost for the NZIRP before continuing construction at Newcastle. Ixom is presently undertaking an internal approval process which Austpac anticipates will lead to agreement on a structure to fund and develop the project.

The combined technologies will have applications in mini-mills which are widely used in the USA, Europe and many other countries to produce iron and steel. The technology to recycle zinc-contaminated SPL and electric arc furnace (EAF) dusts and iron-rich SPL and furnace dusts from the steel industry to produce concentrated hydrochloric acid, pig iron and zinc metal is unique.

### **EL 5291 NHILL**

In early November 2015, Austpac was advised that Exploration Licence 5291 (Nhill) had been renewed for a term of 4 years. The renewed licence covers an area of 298 sq. km. and will expire in August 2019.

Austpac's application for financial support under the Victorian State Government's TARGET Minerals Exploration Initiative was lodged in December 2015. The application proposes geophysical surveying, drilling, geochemistry, petrology and integration with recently published government data. It is expected that successful applicants will be notified during the first half of 2016.

### **Mining Exploration Entities:**

EL 5291 (Nhill); Located between Nhill and Dimboola, Victoria; 100% Austpac Resources N.L.

### **For further information please contact:**

Mike Turbott

Managing Director - Tel (+61 2) 9252 2599

*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 steelmaking 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.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10

Name of entity

**AUSTPAC RESOURCES N.L.**

ABN

**87 002 264 057**

Quarter ended ("current quarter")

**31 DECEMBER 2015**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from ERMS Funding		
(a) ERMS Licence Fee Income	-	-
(b) Funded Exercise - ERMS	-	-
(c) Funded Exercise - NIRP	-	-
(d) Joint Venture Funding - Murray Basin	-	-
(e) R&D Tax Concession rebate	-	-
Receipts from Exploration	-	-
(a) -	-	-
1.2 Payments for		
(a) Exploration	-	-
(b) NIRP Mineral Technology Development	(237)	(346)
(c) ERMS - Other	-	-
(d) Murray Basin	-	-
(e) Gold	(17)	(53)
(f) Administration	(224)	(293)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid		
1.6 Tax paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(478)</b>	<b>(692)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows		
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	603	603
1.15 Proceeds from sale of forfeited shares		
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	125	(89)
1.20	Cash at beginning of quarter/year to date	201	415
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	326	326

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

SALARY

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development - NIRP	100
	Funding - NIRP	(400)
4.3	Production	-
4.4	Administration	120
	<b>Total</b>	<b>(180)</b>

***Reconciliation of cash***

+ See chapter 19 for defined terms.

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	326	201
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	326	201

### Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		
6.2	Interests in mining tenements acquired or increased		

### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	1,444,100,109	1,369,487,183		
7.4 Changes during quarter (a) Increases through issues (b) Forfeited shares held for reissue (c) Increase in Share Purchase Plan Share Purchase Plan Balance	100,439,943 22,540,000 - 52,072,926		\$0.006	\$0.006
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				

### Compliance statement

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 December 2015  
(Company Secretary)

Print name: Nicholas J. Gaston

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.