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SHAREHOLDER UPDATE

3,000 TPA ERMS SYNRUTILE DEMONSTRATION PLANT

- **STAGE 2 COMMISSIONING NEARING COMPLETION**
- **SYNRUTILE AND IRON PRODUCTION COMMENCING NEXT WEEK**

Austpac Resources is pleased to provide an update on activities at the Company's ERMS Synrutile Demonstration Plant at Newcastle, NSW.

Construction of Stage 2, the synrutile and iron pellet production section is complete and commissioning is well advanced. This section comprises two main parts:

- **Austpac's patented Continuous Leach Reactor (CLR)** – The CLR is used to leach roasted ilmenite. The leached solids are separated from the iron chloride leach liquors on a belt filter. They are then dried and calcined and finally passed over a rare earth magnetic separator to remove impurities. This produces Austpac's high grade ERMS SR synrutile.

  The CLR has been commissioned at operating temperature using water and ilmenite. The other equipment items have also been tested and the section is ready for production operations once the remainder of the plant is commissioned.

- **The patented EARS Acid Regeneration Plant** – This comprises a fluid bed evaporator which makes iron chloride pellets, a fluid bed "pyrohydrolysis" roaster which turns the pellets into hydrochloric acid for leaching and iron oxide pellets. A fluid bed "metalliser" then reduces the iron oxide pellets to iron metal using Austpac's proprietary direct reduced iron ("DRI") process.

  The EARS plant also has a carbon dioxide (CO_2) absorption system to ensure that over half of the $C0_2$ emissions are captured. Additionally, the EARS system, unlike other acid regeneration systems, does not create any dioxins or furans.

  The EARS section of the Demonstration Plant will be the most environmentally sustainable acid regeneration plant in the world.

The refractory lining of the fluid bed roasters is currently being heated and cured, and the solids feed system for this section will be commissioned later this week using iron ore fines. This will also commission the metalliser, confirming the operation of our DRI process.

Spent pickle liquor acquired from a major steel pickling plant will then be used to commission the EARS plant and the regenerated acid will be stored in the tank farm.

Continuous (24 hours per day 7 days per week) Stage 2 operations, comprising ilmenite leaching/synrutile production and EARS acid regeneration/iron pellet production, will commence next week and continue for 28 days. This will make sufficient synrutile and iron pellets for market trials, and off-take arrangements for these products are being finalised with potential long term purchasers. It is expected that the synrutile will be used for titanium metal trials, and the iron will be trialled in the foundry industry.

The operations over the next 6 weeks will be the culmination of 15 months of dedicated work by the Austpac engineering team and our skilled contractors as the Company's goals come to fruition. These goals include demonstrating our ERMS SR process for synrutile and iron, our EARS process for treatment of waste pickle liquor and iron oxide from the steel industry, and our DRI process for upgrading iron ore. The Board is extremely pleased with progress and looks forward to successful operations and to commencing commercialisation of our technologies in the coming months.

For further information please contact:

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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.

EARS Acid
Regeneration Plant

July 2008

EARS Acid
Regeneration Plant

September 2008

Base of Continuous Leach Reactor and associated piping and pumps.

John Winter commissioning the Continuous Leach Reactor.

Spent Pickle Liquor unloading at the Plant.

The SPL will be used to generate fresh acid for ilmenite leaching.