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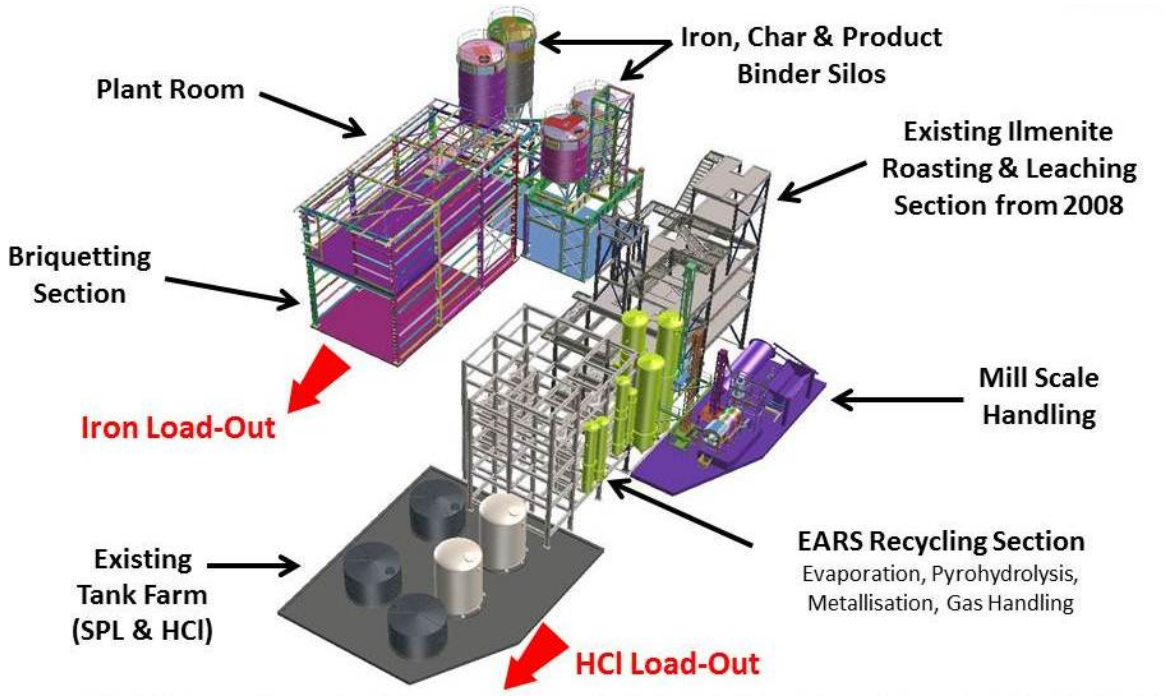
SHAREHOLDER UPDATE

NEWCASTLE IRON RECOVERY PLANT PROGRESSES

Construction Accelerates and Commissioning Starts

Austpac is pleased to report that construction of the Newcastle Iron Recovery Plant at Kooragang Island, Newcastle, is accelerating and commissioning of certain equipment items will commence next week. 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.

The project commenced in May 2011 and delivery and installation of major equipment has commenced. A schematic layout of the Plant is shown below:

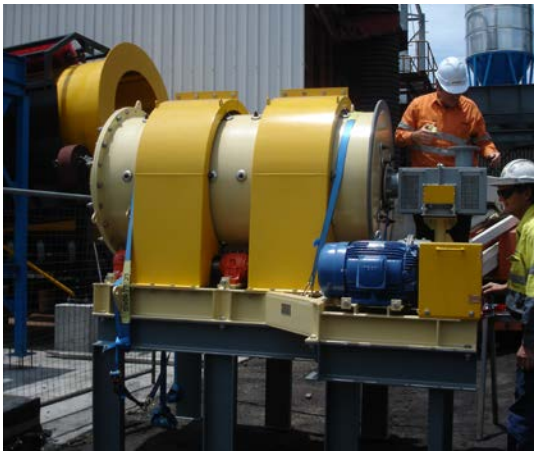


The following milestones have been achieved in the past month:

- **Mill Scale Handling Areas and Power Supply**
  The mill scale feed hopper and the rotary screen have been delivered and installed. Testing of the screen will commence next week. The transfer conveyors from Queensland and a purpose-designed ball mill from Western Australia are on site and installation is commencing. Construction of the bulk mill scale storage shed has commenced. The upgrade of the power supply commenced with the placement of a 220 metre underground conduit using a horizontal boring machine.

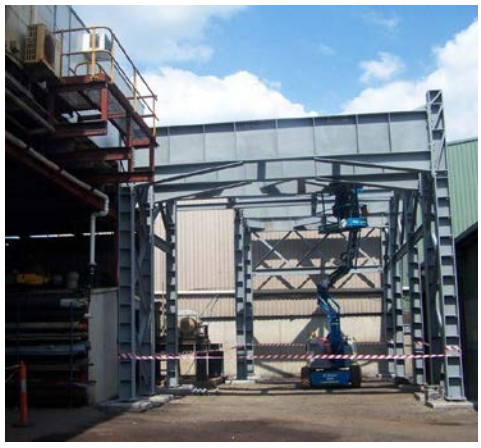

Mill scale feed hopper and rotary screen


Floor of bulk mill scale storage shed


Delivery of the ball mill


Horizontal boring machine installing conduit for high voltage cable

- **<u>Iron and Char Product Silos</u>**
  The support structure for the iron chips and char products, which will be fed to the briquetter, has been completed and the first two of four silos have been installed.



Structure for iron and char product silos and briquette binders

Installation of binder silos

Each silo has a capacity of 37 m^3 and can hold 110 tonnes of product

- **Briquetting Section and Plant Room**
  The structure for the briquetting section is now complete. This will house the briquetter, the briquetted iron load-out bin and an elevated plant room for air blowers and an afterburner and boiler for process steam.

Above: Floor of elevated plant room

Left: Construction of structure for Koeppern briquetter (at rear), iron briquettes load-out bin, and elevated plant room

- **Newcastle Staff**
  The Austpac project team at Newcastle is headed by John Winter and now comprises 10 full time employees and consultants. A chemical engineer has been hired and will commence work in January and the selection process is underway for a further 7 employees to join the team in February who will be involved in the commissioning and operations of the Plant.

Project Time-Lines

Delivery and installation of equipment will continue through the first quarter of 2012, and individual sections will be tested and commissioned as they are completed. Commissioning will continue for three months and integrated plant operations will commence later during the second quarter. The Newcastle Iron Recovery Plant is expected to reach start-up capacity and be producing iron at the rate of 10,000 tpa in July 2012.

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

Austpac Resources N.L. [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.