



SHAREHOLDER UPDATE

7 June 2011

AUSTPAC'S NEWCASTLE IRON RECOVERY PLANT CONSTRUCTION ACCELERATES

On 18 April 2011, Austpac announced the Company had signed agreements with Kronos International, Inc. for Kronos to provide \$12.5 million in funding for the construction, commissioning and initial operations of the Newcastle Iron Recovery Plant, together with other development work at Austpac's Newcastle facilities.

The agreements required the funds to be provided through two share issues totaling \$6.5 million, and a further \$6 million for a licence fee to enable Kronos to use Austpac's Enhanced Acid Regeneration System (EARS) and Metallisation (Austpac Reduced Iron, "ARI") processes at their titanium dioxide (TiO₂) pigment plants.

In April 2011, Austpac issued 11,470,588 shares to Kronos, which provided \$975,000 allowing the project to commence.

An Extraordinary General Meeting of shareholders was held on 23 May, 2011 to consider the issue of a further 65 million shares to Kronos to raise \$5,525,000. The meeting approved the issue by an overwhelming majority.

The funds have now been received and the shares have been issued. This has allowed work on the project to accelerate. Achievements during May include:

- Key consultant reports have been received to confirm the final Plant design. These reports include mill scale handling and preparation for fluid bed operations, thermodynamic studies of the behavior of the feed materials, and the gas handling, treatment and scrubbing systems to ensure Plant and product reliability while meeting stringent off-gas emissions targets and energy efficiencies.
- The HAZOP study (plant hazards and operability) was completed and all recommendations have been incorporated into the flow sheets.
- Ordering of major equipment items has commenced.
- Design of the structure to support the storage silos for the briquetting section and the new plant room is being finalised and construction of this component will commence once this is completed.
- The site for the new mill scale storage has been prepared for construction.
- 3D modeling of the plant layout is underway to assist with construction of the metallisation section, including the dimensioning of the refractory-lined ducts and the spacing of equipment to maximise operability and maintenance.

The Newcastle Iron Recovery Project is advancing on schedule; commissioning of the Plant will commence in the fourth quarter of 2011, followed by cash flow in early 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.