

24 October 2003

AUSTRALIAN STOCK EXCHANGE ANNOUNCEMENT

**AUSTPAC REACHES AGREEMENT WITH ILUKA
FOR ERMS SYNTHETIC RUTILE PLANT**

Austpac Resources N.L. (Austpac; ASX: APG) is pleased to announce that it has entered into an agreement with Iluka Resources Limited (“Iluka”) for the long-term sale of synthetic rutile to Iluka from Austpac’s proposed 30,000 tonnes per annum ERMS SR plant, located on the eastern seaboard of Australia (“Agreement”). Iluka’s commitment to purchase the ERMS SR under the Agreement is subject to completion of a successful independent bankable feasibility study, Austpac obtaining finance, and Iluka and Austpac reaching agreement on the minimum price for the synthetic rutile product.

The Agreement outlines a long-term commercial arrangement between the two companies, in which Iluka agrees to purchase the output of the ERMS SR plant. This arrangement will include a minimum price commitment by Iluka to be agreed at the conclusion of the bankable feasibility study. Once the conditions to the Agreement are satisfied Iluka will be granted a non-exclusive licence to use the ERMS SR technology to build and construct future ERMS SR plants, subject always to Austpac’s participating rights outlined further below.

The Agreement provides that at the successful conclusion of the bankable feasibility study, Iluka has a 15 day option to acquire a shareholding equal to 10.01% of the expanded capital of Austpac, at a 30% premium to the market price. If Iluka exercises this equity option, Iluka’s licence of the ERMS SR Technology will become exclusive, subject to Iluka commencing a bankable feasibility study for an ERMS SR plant of at least 100,000 tpa capacity within twelve months of the successful commissioning of Austpac’s 30,000 tpa plant.

If the equity option is not exercised, Iluka’s licence of the ERMS SR Technology will only become exclusive if Iluka commences a bankable feasibility study for an ERMS SR plant of at least 100,000 tpa capacity within twelve months of the successful commissioning of Austpac’s 30,000 tpa plant.

To maintain exclusivity, Iluka must start construction of that 100,000 tpa ERMS SR plant within two years of commencing their feasibility study, and thereafter build another 100,000 tpa ERMS SR plant every five years. Whether Iluka’s licence for ERMS SR technology is exclusive or not, Austpac will have the right to a 10% free carried interest as well as an option

to acquire a 20% participating interest in each of the future ERMS SR plants built by Iluka using the ERMS SR Technology.

In addition, for a period of 12 months after the successful commissioning of the ERMS SR Plant, Iluka may negotiate to purchase a controlling interest in the 30,000 tpa plant, and may participate in any expansion of that ERMS SR plant.

The Agreement also recognises Ticor Limited's existing rights to use the ERMS SR technology.

Iluka produces around 470,000 tonnes of synthetic rutile annually, or about 60% of the world's production. Iluka's synthetic rutile is produced by the Becher process and contains 90-94% TiO₂. With ERMS SR containing >97% TiO₂, the sales contract will give Iluka access to high grade synthetic rutile, which has been identified as a growth area for chloride-route titanium dioxide pigment feedstock. The ERMS SR commercial arrangement between both companies will facilitate the financing of the ERMS SR plant, as will Iluka's expertise as world leader in the synthetic rutile market.

Austpac will now undertake a bankable feasibility study on this project, which will take approximately six months to complete. The implementation of the Agreement with Iluka is conditional on the bankable feasibility study being satisfactory to Austpac and Iluka. A successful outcome for the study will be followed by the financing, detailed design, construction and commissioning phases, with the aim of commencing production in 2005.

Austpac also announced today that it had entered into an arrangement with Consolidated Rutile Limited for the supply of ilmenite to the plant. Austpac is embarking on an exciting new phase of its development as the Company moves toward synthetic rutile production. Planning for confirmatory pilot plant trials on a bulk sample of CRL's ilmenite and selection of potential plant sites is now underway.

For further information please contact:

M.J. Turbott
Managing Director
Austpac Resources N.L.
Tel: (61-2) 9221-3211

Or visit the website: www.austpacresources.com

Austpac Resources N.L. is an Australian listed minerals technology company and emerging synthetic rutile producer. Austpac's processes include technology to transform ilmenite into high grade synthetic rutile, a preferred feedstock for titanium dioxide pigment production. They can also be used to beneficiate a range of heavy minerals, as well as process waste chloride streams from a number of industrial operations.