



AUSTPAC RESOURCES N.L.  
ACN 002 264 057

Level 12, Currency House  
23 Hunter Street  
SYDNEY NSW 2000

GPO Box 5297

SYDNEY NSW 2001

Telephone: (+61 2) 9221 3211

Facsimile: (+61 2) 9223 1975

Email: [apgtio2@ozemail.com.au](mailto:apgtio2@ozemail.com.au)

[www.austpacresources.com](http://www.austpacresources.com)

## **THIS DOCUMENT IS VALUABLE**

1 September 2004

Dear Shareholder

### **RE: AUSTPAC RESOURCES N.L.** **SHAREHOLDERS SHARE PURCHASE PLAN**

The Directors of Austpac Resources N.L. (ASX:APG) are pleased to provide all Australian and New Zealand registered shareholders the opportunity to participate in a Shareholders Share Purchase Plan (the "Plan").

#### **Details of the Plan**

The Plan entitles you, as an eligible shareholder in the Company and irrespective of the size of your shareholding, to purchase up to \$5,000 worth of shares in the Company at a fixed issue price of 3 cents per share. The issue price represents a 19% discount to the average trading price of the Company's shares over the 30 business days immediately prior to 1 September 2004. The record date for determining your eligibility to participate is 6 September 2004.

Purchase of shares under the Plan is free from all brokerage and commission, and represents an opportunity for shareholders to increase their shareholdings free of normal transaction duties. In particular, the Plan offers those shareholders who may hold less than a marketable parcel of shares (\$500 value) an opportunity to increase their holdings to a marketable size. The minimum purchase is \$500 worth of shares.

The company will not issue more than 130,000,000 ordinary shares under the Plan, which represents 30% of the issued capital of Austpac. The maximum amount that would be raised is approximately \$4,000,000. Subscriptions received in excess of this amount will be approved at a General Meeting of Shareholders. The Directors have reserved the right to close the offer earlier than the closing date of 27 September 2004 without notice.

**If you wish to participate in this Shareholders Share Purchase Plan, you must complete and lodge the attached application form together with your payment by the closing date of 27 September 2004.**

## **Purpose of the Plan**

The Company has identified a number of opportunities to commercialise its technologies, not only through the production of synthetic rutile but also in upgrading heavy mineral concentrates and the treatment of waste chloride streams from a number of industrial operations. We have been recently approached by three international groups regarding our technologies, one of whom has undertaken a detailed engineering review of our technologies, and we are presently testing material for a second group. We already have three technologies under licence (LTR roasting with New Zealand Steel and BeMaX Resources, and BTS and EARS with Kumba Resources) and are confident that further commercialisation of our technologies is imminent.

The Board has agreed that our Austpac's ERMS SR technology should be commercialised through the establishment of a 30,000 tonnes per year (30 ktpa) synthetic rutile plant in Eastern Australia. To achieve this it is necessary to undertake a Bankable Feasibility Study (BFS), which will cost \$4 million. The first stage of the study entails expenditure of \$2.5M to upgrade and operate our Newcastle pilot plant so that the scale up risk to the 30 ktpa plant is acceptable. The expanded pilot plant will also showcase our EARS acid regeneration technology for application in the steel industry, and will create the world's most comprehensive fluid bed roasting test facility, allowing us to broaden the application of our roasting and chloride treatment technologies to other industries.

As you are aware, late last year we signed a memorandum agreement with Consolidated Rutile Limited (CRL) for the long term supply of ilmenite to the plant, and a second agreement with Iluka Resources Ltd (Iluka) for the sale of the high grade product that our plant will produce. While the final agreement with CRL is now being finalised, the final agreement with Iluka depends upon Austpac completing the BFS.

Your Directors believe it is in the best interests of the Company's current shareholders, to give each of you the opportunity to increase your shareholding at this time through this Plan.

All Directors have indicated that they will increase their shareholding and take the maximum number of shares available to them pursuant to this offer.

## **Shares Offered**

Eligible shareholders may apply for a specified number of shares, under one of the following alternative offers:

<b>Offer</b>	<b>No of Shares Offered</b>	<b>Subscription Amount</b>
A	16,667	\$500
B	33,334	\$1,000
C	66,667	\$2,000
D	166,667	\$5,000

The offer to shareholders is restricted to one of these four offerings of shares (Offer A, B, C or D). It is not possible to apply for less shares than Offer A, or more shares than Offer D.

All new ordinary shares issued under the Plan will rank equally with existing fully paid ordinary shares in Austpac Resources at the date of allotment and will carry the same voting rights, dividend rights, and other entitlements at the allotment date.

Austpac Resources reserves the right to reject any application for Plan shares to the extent it considers that the application (whether alone or in conjunction with other applications) does not comply with these requirements.

### **Scaling Back of Applications**

The Austpac Resources N.L. board has determined that the Plan should be subject to a maximum amount raised of \$4,000,000 (approximately 130,000,000 shares), and has therefore set a cap on the number of shares that may be issued under the Plan.

In the event that the Company receives subscriptions totalling more than 130,000,000 ordinary shares the Company intends to scale back the applications to total the maximum number of shares and seek shareholder approval to any oversubscriptions in a General Meeting of Shareholders.

### **Allotment of Shares**

Shares issued under the Plan will be allotted on or about the allotment date, 28 September 2004. Austpac Resources will promptly after allotment make application to the Australian Stock Exchange for the shares to be listed for quotation. Individual statements of shares allotted under the Plan should be received shortly after the allotment date.

### **Timetable**

Record date	6 September 2004
Share Purchase Plan offer closes	27 September 2004
Issue and allotment of Shares	28 September 2004
Anticipated quotation of Shares on ASX	1 October 2004

If you have any questions in respect of the Share Purchase Plan, please contact your stockbroker or financial adviser.

### **Acceptance of Offer**

Participation in the Plan is entirely at your discretion and is subject to the Terms and Conditions enclosed. The share price may rise or fall before the date shares are issued to you and you should therefore seek your own financial advice in relation to your participation in the Plan.

Applications must be received prior to the close of the offer at 5.00pm on 27 September 2004. If you wish to participate, please forward your completed application form, together with a cheque payable to "Austpac Resources N.L." to GPO Box 5297, Sydney, NSW, 2001.

I endorse this issue and strongly recommend that you take the opportunity to increase your shareholding at this attractive price.

If you have any questions in relation to the Plan, do not hesitate to contact Nick Gaston or Mike Turbott on (+61-2) 9221 3211. Please refer to the Austpac Resources N.L. website [www.austpacresources.com](http://www.austpacresources.com) for further information on the Company and its activities.

Yours faithfully



M.J. Turbott  
**Managing Director**

enc