

**16 October 2009**

## SHAREHOLDER UPDATE

- **Newcastle Iron Recovery Plant**

The Newcastle Iron Recovery project will use the EARS acid regeneration and DRI sections of the ERMS SR Demonstration Plant on Kooragang Island, Newcastle, to commercially recover high grade iron and hydrochloric acid from steel mill by-products (mill scale and spent pickle liquor). The equipment in the Plant needed refurbishment to ensure long-term commercial operations and careful planning and design was required to ensure this project's success. Refurbishment work has reached the next stage, with contractors on site since August assisting with layout and logistics plans. The removal of equipment and relocation of some other items is underway with the fabrication of the improved equipment to commence shortly.

- **Integration of a Briquetting System Increases the Marketability of Austpac's Iron Product.**

Following discussions with steel makers, a high pressure roll briquetting machine will be incorporated in the Newcastle Iron Recovery Plant to produce a high quality feedstock for electric arc furnaces. Prior to execution of new agreements with steel makers, Austpac is undertaking its own, independent briquetting studies. A large sample of mill scale has been reduced to iron metal in the batch roaster using our direct reduction process. This product, "Austpac Reduced Iron" (ARI), is a very pure iron that will be used in briquetting trials. Austpac has signed a Consulting Services Agreement with the CSIRO to undertake independent trials later this month. Briquetted samples of ARI will be provided to steelmakers for assessment.

- **Supply and Sales Agreements**

Negotiations for the supply of spent pickle liquor and for the sale of regenerated hydrochloric acid and ARI briquettes are at an advanced stage.

- **New applications for Austpac's technologies and expansion of opportunities**

Over the past two months Austpac has been contacted by a number of companies from the USA, Europe and Asia regarding specific applications for our technologies. These companies have recognised the value of the Company's EARS and direct reduction technologies to process chloride and other waste streams. Several companies have provided samples of their various materials, pilot scale test work is underway at the plant, and we are confident the test work will be successful.

In addition, we have received several new enquiries from interested steel mills regarding our processes for treating mill scale and pickle liquor.

The new applications and enquiries broaden the number of opportunities for commercialisation once the Newcastle Iron Recovery Plant is operating and can be used as a reference plant for the EARS/DRI technology.

- **Licences and Approvals**

Applications for relevant licences from local and State authorities to operate the Iron Recovery Plant on a long term basis are advancing and all approvals are expected well before the refurbishment is completed.

- **Patent Protection**

The EARS process has been protected by world wide patents since 1992. A patent application to protect Austpac's process for the production of iron and other metals from metal chloride solutions was lodged in 2005 and has now progressed to the National stage in all significant steel producing countries around the world. Austpac's Direct Reduction patent application to protect the DRI process was first submitted in 2008 and in September 2009 entered the international stage and applies to over 50 countries through the Patent Treaty Convention.

For further information please contact:

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

***WINNER: 2008 National Mining Awards APPLIED TECHNOLOGY OF THE YEAR***

Austpac [[www.austpacresources.com](http://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 and titanium metal 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.