



AUSTPAC RESOURCES N.L.

ACN 002 264 057

Level 3,

62 Pitt Street

SYDNEY NSW 2000

GPO Box 5297

SYDNEY NSW 2001

Telephone: (+61 2) 9252 2599

Facsimile: (+61 2) 9252 8299

Email: apgtio2@ozemail.com.au

www.austpacresources.com

14 May 2007

AUSTPAC SECURES FUNDING TO UNDERPIN THE COMMERCIALISATION OF THE ERMS SR PROCESS

Austpac is pleased to announce that it has signed a Heads of Agreement with BHP Billiton on terms to assist the continuing development of Austpac's ERMS SR synthetic rutile process. Under the Heads of Agreement:

- BHP Billiton will take a placement of 25,000,000 fully paid ordinary Austpac Resources NL shares at 20 cents each to raise \$5 million and in doing so, will become the largest shareholder in Austpac, with a 3.8% holding.
- The \$5 million will be applied to the construction of Austpac's planned 3,000 tpa fully integrated ERMS SR Demonstration Plant at Newcastle. The Plant will also incorporate Austpac's EARS acid regeneration and DRI iron reduction processes, which will facilitate the showcasing of these technologies for applications in the steel industry.
- Austpac will grant BHP Billiton a licence to use the ERMS SR technology in Africa in return for a fee based on gross sales revenue.
- Once the Demonstration Plant has roasted 550 tonnes of ilmenite and produced sufficient ERMS SR and DRI iron pellets for market assessment, Austpac and BHP Billiton will review the next phase of commercialisation; a 60,000 tpa ERMS SR plant. Ongoing work would include a feasibility study to evaluate costs and potential sites for the plant, with consideration given to south eastern Australia and Murray Basin ilmenite.
- Should BHP Billiton participate in the development of the 60,000 tpa commercial plant, BHP Billiton will be granted a further licence, with the licence fee also based on sales revenue, to use the ERMS SR technology worldwide. It is the intention of both companies to jointly seek opportunities in which to use the ERMS SR process.

It is anticipated that the detailed legal contracts required for this transaction will be completed and work in relation to the Demonstration Plant will commence in June 2007. Austpac is presently preparing the detailed plans and schedules necessary to implement the project successfully.

For further information please contact:

Mike Turbott

Managing Director - Tel (+61-2) 9252-2599

Or visit Austpac's website: www.austpacresources.com

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

Austpac listed on the Australian stock exchange in July 1986, and is a minerals technology company and emerging synthetic rutile producer. Austpac's technology is able to transform ilmenite into high-grade synthetic rutile, a preferred feedstock for titanium dioxide pigment production. This technology can be used to beneficiate a range of heavy minerals, as well as process waste chloride streams from a number of industrial operations and recover iron units from waste oxides produced by steel making.