AUSTPAC RESOURCES N.L.
ACN 002 264 957

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

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SHAREHOLDER UPDATE

3,000 TPA ERMS SYNRUTILE DEMONSTRATION PLANT

- **STAGE 1 ROASTING CAMPAIGN COMPLETE**
- **STAGE 2 COMMISSIONING BEGINS**
- **SYNRUTILE AND IRON PRODUCTION COMMENCING IN AUGUST 2008**

Austpac Resources is pleased to provide an update on activities at the Company's ERMS Synrutile Demonstration Plant at Newcastle, NSW.

Stage 1, the campaign to roast 720 tonnes of ilmenite concentrate, is now complete. The campaign processed 150 tonnes from Consolidated Rutile's operations on Stradbroke Island, 500 tonnes from Bemax's Murray Basin operations, and 70 tonnes from BHP Billiton's Corridor Sands deposit in Mozambique.

Bench leaching of samples of all three bulk-roasted ilmenites consistently produced ultra high grade synrutile (97% TiO_2) with very low contaminants.

During the campaign, Austpac upgraded the plant by installing a larger, refractory-lined oxidation roaster to increase throughput and to simulate a commercial roasting plant. This markedly improved plant performance, and once the Stage 1 campaign was finished, it was decided to continue roasting several large ilmenite samples that were surplus to and stored from Austpac's earlier test programs. This additional material will be used to commission the ilmenite leaching section. Roasting operations conclude this week.

Commissioning of **Stage 2,** the synrutile and iron pellet production section, has begun with hydrostatic testing of the ilmenite leaching section, which includes Austpac's patented continuous leach vessel. Construction of the rest of the Plant is nearing completion. The final three fluid bed roasters for the EARS acid regeneration section are now being installed and only piping connections and instruments remain to be fitted. Commissioning of this section will start in early August 2008.

Iron ore fines will be used for the initial testing of the EARS section to ensure proper transfer of solids throughout the system. This will commence in coming weeks.

Steel mill waste (spent pickle liquor) will be used for hot commissioning the EARS section of the plant. This will have multiple benefits, including regenerating the initial charge of hydrochloric acid for ilmenite leaching rather than purchasing fresh acid, and will demonstrate that the EARS system can process pickle liquor from steel mill waste.

A carbon dioxide (CO_2) absorption system has been installed in the EARS section to ensure that over half of the $C0_2$ emissions are captured and not released into the atmosphere. The captive $C0_2$ is very pure and can be sold for use in other industries. This is a further example of Austpac's ability to create revenue and remain the most environmentally- friendly ilmenite upgrading process.

Stage 2 operations, synrutile/iron pellet production and acid regeneration, are scheduled to commence in late August 2008 and finish in September 2008. A total of 300 tonnes of ERMS synrutile and 200 tonnes of iron pellets will be produced for market trials.

Data from the Demonstration Plant will then be used for detailed engineering design and a bankable feasibility study into a 60,000 tpa commercial ERMS SR plant. This study will start in the fourth quarter of 2008.

For further information please contact:

Mike Turbott

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

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

Austpac [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 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.

ERMS SR Plant Stage 2 (June 2008)

ERMS SR Plant: EARS section installation (July 2008)

Upgraded, Refractory-lined

0.7m Ø Oxidation Roaster

(installed June 2008)

Roasted Ilmenite from

BHP Billiton's

Corridor Sands Deposit

(late June 2008)