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Manager of Company Announcements  
ASX Limited  
Level 5, Riverside Centre  
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22 February 2008

Dear Sir

**Company Update**

The Directors of Aconcagua Resources Ltd are pleased to provide the attached update to the Group's position.

Yours faithfully  
**Aconcagua Resources Limited**

A handwritten signature in black ink that reads 'Franco Belli'.

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**Franco Belli**  
**Managing Director**



## Company Update 22 February 2008

The Directors of Aconcagua are pleased to provide an update to the activities of the Group.

As reported on 20 August 2007, test work conducted by Outotec USA produced an iron/titania rich concentrate which was forwarded to Outotec Germany for further testing as a potential smelter feedstock.

A stepwise approach adopted by Outotec aimed to investigate the suitability of this concentrate for direct reduction in Outotec's **Circored**® process, using natural gas as the reductant.

Phase 1 of this study involved batch tests in a 50mm fluidized bed. These tests indicated that a metallization degree (metal recovery) of up to 80% can be achieved.

Reduction tests of the product in an 80mm diameter fluidized bed unit achieved a metallization degree of 65%.

It was proposed to undertake further test work in Outotec's Finland's laboratory induction furnace test facility, to determine the quantity and quality of pig iron as well as to determine the viscosity of the titanium slag that could be produced.

Following the positive results from the 50mm and 80mm tests, and recent discussions in Germany with representatives from Outotec and SMS Demag<sup>1</sup>, it has been resolved to test the concentrate for direct reduction in Outotec's **Circofer**® process, using coal as the reductant instead of gas. The potential exists to develop an integrated smelter and steel-making plant in Ecuador that will produce standard steel slab and round billets for the local and export markets. The **Circofer**® process using coal as the reductant provides higher flexibility in the reduction process.

Your Directors are excited at the prospect of working with Outotec and SMS Demag to advance your Company from a resource company to a steel producer based in Ecuador. It has been proposed that a feasibility study be undertaken for a 1.5 million tonne per year steel-producing plant.

Further, in our latest quarterly report we indicated that we were giving consideration to farming out an interest in our Putu concession in Chile.

The Putu concession is relatively open and uninhabited, access is good, and there are enormous volumes of modern and paleodune sands. The results to date indicate a potentially very large in-place endowment of iron, titanium and vanadium.

Because of the prospect of advancing from a resource company to a steel producer, your Directors have resolved not to farm out Putu, but to fast track its exploration program.

The decision to fast track Putu will not detract from the Company's emphasis on progressing its most advanced projects in Ecuador.

**Aconcagua Resources Limited** is a minerals company with projects in South America. The objective of the Company is extracting iron ore from iron sands and add value through beneficiation and smelting to produce steel and other metals including titanium slag and vanadium.

For further information or explanations contact our Chairman, John Banks, (02) 9252 0955, email [john.banks@aconcagua.com.au](mailto:john.banks@aconcagua.com.au).

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<sup>1</sup> SMS Demag is a highly regarded German based multinational group that builds turnkey all-inclusive plants or individual plants for carbon and stainless steels. They have more than 125 years of experience in metallurgical plant and rolling mill technology.