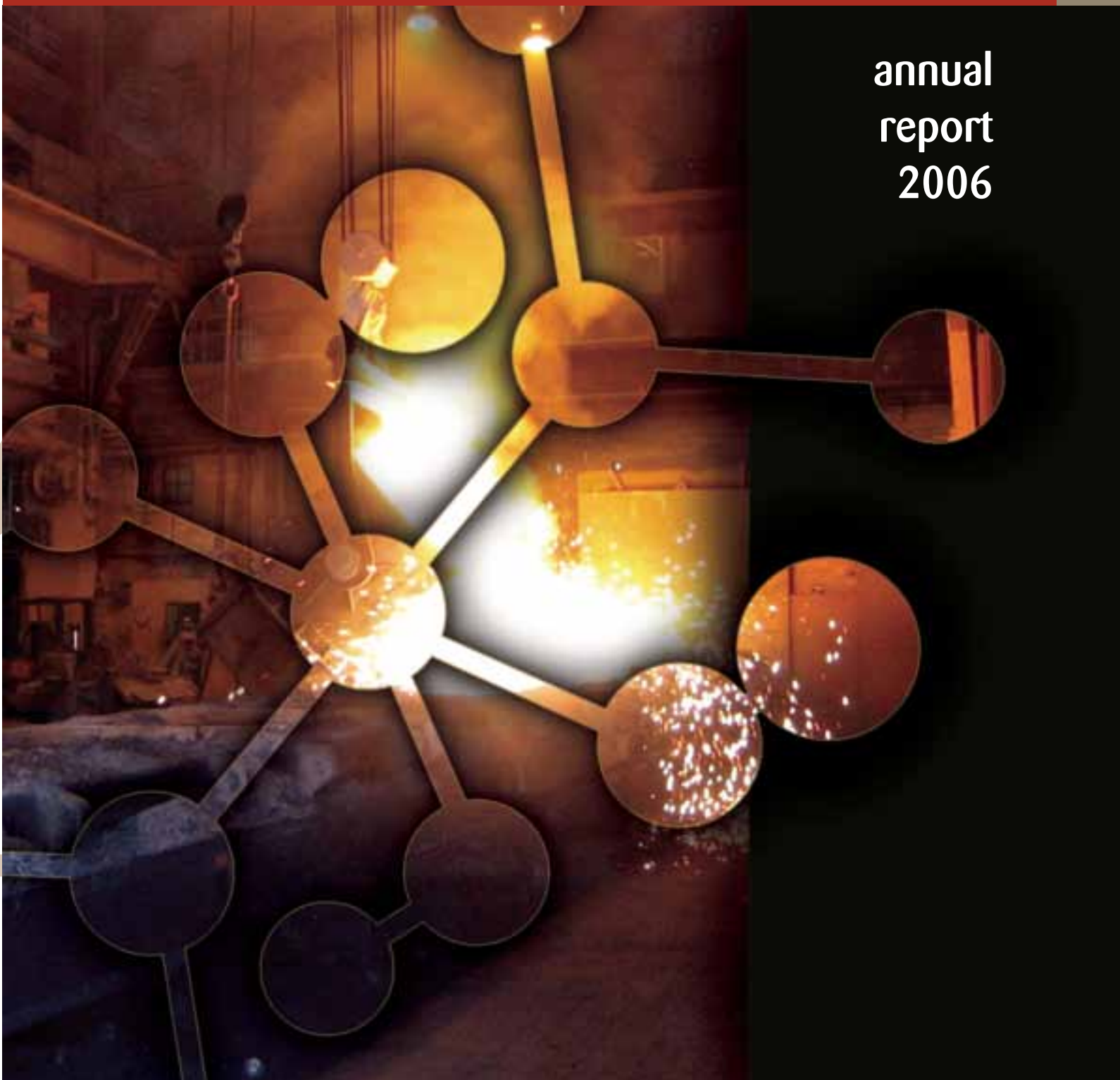
AUSTPAC RESOURCES N.L.

annual report 2006



Vale: Ernest Allen Walpole; 2 January 2006

Austpac lost a valued friend and mentor in Ernie Walpole who succumbed to cancer on 2nd January 2006 aged 81

Ernie, who completed his degree in 1953, was one of the first three Chemical Engineering graduates from the University of Newcastle. After a distinguished 50 year career in the chemicals industry, he joined Austpac in 1988 to work on ilmenite beneficiation.

He was the inventor of several key technologies that form part of Austpac's ERMS SR process. He also played an important role training and mentoring Austpac staff, which led them to develop additional process innovations now patented by the Company.

His enthusiasm, experience, and creativity are missed by the Austpac team, which is dedicated to commercialising the technology that Ernie conceived.

A memorial fund has been created at the University of Newcastle to assist students complete the final year of their Chemical Engineering degree and donations toward this fund are welcome.

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Highlights

- In September 2006, Austpac signed a Research Agreement with BHP Billiton to continue the ongoing development of the Company's ERMS SR technology. Under the agreement, BHP Billiton will provide funds for the commissioning and operation of equipment designed to prove Austpac's proprietary continuous metallisation process, additional modelling to confirm the design of the proprietary continuous leach vessel, an update of the capital cost estimate for Austpac's planned ERMS SR Demonstration Plant at Newcastle, and an independent concept level cost study to obtain capital and operating costs for a commercial scale ERMS SR plant. The immediate objective is to undertake essential testing of the metallisation and leaching steps prior to construction of the Demonstration Plant. The program commenced in September 2006 and should be completed in November 2006.

- Construction of Stage One, the ilmenite roasting section, of the ERMS SR Demonstration Plant continued at Austpac's test facilities on Kooragang Island, Newcastle. The fluid bed roasters were fabricated and installed, and the raw material handling systems with the electrical, control and air systems were designed. Planning for Stage Two of the Plant, the ilmenite leaching/SR calcining and the EARS acid regeneration section, continued with detailed design drawings and specifications for the major items completed ready for fabrication by outside contract groups. The Plant will provide data to support a bankable feasibility study into a commercial ERMS SR plant.

- Significant advances were made in the development of Austpac's iron oxide reduction process, which is the final step in the EARS acid regeneration process. A stand-alone fluid bed metallising unit has been constructed at the Company's Kooragang Island facilities and is now in the commissioning stage. This will prove the metallising process on a continuous basis, and it is planned to test iron oxide pellets from the EARS process, as well as fine iron ore from the Pilbara region of Western Australia.

- Austpac has developed a new process to agglomerate fine grained high grade titanium minerals and has constructed a fluid bed agglomerator at the Kooragang facilities. Initial trials produced ideally sized "Hi-Ti" mineral agglomerates, and further testwork is planned for later in 2006. This has the potential to unlock fine grained ilmenite resources, such as the Company's WIM 150 deposit in the Murray Basin.

- A preliminary gold exploration agreement was signed covering a number of producing gold mines in south eastern China. Negotiations are well advanced with a joint venture partner to provide funding for a drilling program to explore for sulphide gold mineralisation below these current mining operations.

- Exploration Licence 4521, which covers the WIM 150 fine grained heavy mineral deposit, was renewed. Australian Zircon N.L., which may earn an 80% interest in WIM 150, continued data review and mineral processing testwork, and intends to undertake a drilling program on the deposit later in 2006.

Highlights

1 John Winter finalising construction of the metalliser

2 John Winter and Jon Trigger commissioning the metalliser

3 John Winter sampling the agglomerator

Chairman's Review

I am pleased to report that the perseverance and diligence of the Austpac Resources team has resulted in a research agreement with BHP Billiton to progress our technologies.

During the course of the year significant technical progress and advances have been made at our Newcastle pilot plant facility in the development and refinement of the ERMS SR and related technologies. Of particular note are the new metallisation process for reducing iron oxides to iron metal (a Direct Reduced Iron, or "DRI", process), and the new technique for agglomerating fine minerals using fluid bed technology. This agglomeration technique will enable the company to process its WIM 150 fine minerals deposit in the Murray Basin.

In September 2006 following due diligence, BHP Billiton agreed to fund the next stage of development of the ERMS SR process, including work on metallisation and continuous leaching, and an independent costing study of a large commercial ERMS SR plant.

A new opportunity was also progressed when preliminary agreements were signed with the relevant provincial Government entities in China to explore for sulphide gold mineralisation beneath existing gold mines. A third party has indicated they will fund the first phase of discovery drilling at four of the mines. It is anticipated that formal joint venture agreements will be signed before the end of 2006, allowing the exploration program to get underway early in 2007.

Austpac Resources N.L. has been well supported by shareholders throughout the year providing the necessary working capital to maintain the commercialisation of our technologies. It was not necessary to access the five year $3 million equity finance facility with the USA investment fund, Cornell Capital Partners, because of the interest demonstrated by Australian investors in private placements made during the past year.

The Company was also assisted in research and development funding by the Government R&D tax concession refund for eligible technology expenditure.

Despite a challenging year, the Company is now progressing quickly with technology transactions of substance with major corporations. Recognition of this is evident in the strong support for the Company's shares during the last quarter and a number of approaches being made to the company for use of its technologies.

I would like to thank my fellow directors and the management team for their efforts this year and for setting a foundation for next year.

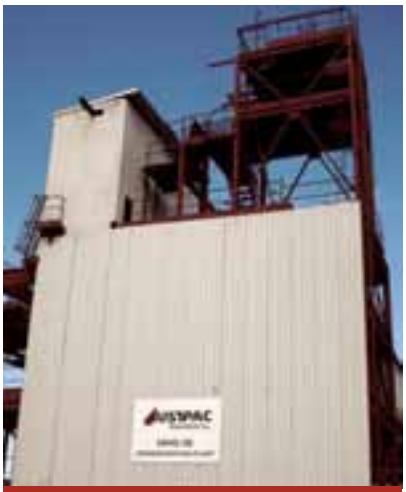
↑ Double dump valve

↓ John Winter operating metalliser

T. Cuthbertson
Chairman

Status of Austpac's Mineral Processes

Austpac's flagship technology, the **ERMS SR** process, beneficiates ilmenite by combining proprietary roasting, leaching and acid regeneration technologies and process know-how in a unique way to produce very high grade synthetic rutile, together with a valuable pelletised iron co-product. The ERMS SR process has been extensively piloted at our test facilities on Kooragang Island, Newcastle, and the Company intends to complete a bankable feasibility study which will confirm the commercial viability of a full scale plant. The first step in this process is the construction and operation of a Demonstration Plant to obtain sufficient engineering and process data for the study and to satisfy project financing requirements. As described elsewhere in this report, construction of the Demonstration Plant commenced in 2005, and is now well advanced.



↑ ERMS SR Demonstration Plant at Kooragang Island, Newcastle

Austpac has for some time been discussing the commercialisation of the ERMS SR process with companies involved in the titanium business in order to fund new developments at the Demonstration Plant and the bankable feasibility study. This effort took a major step forward in September 2006, when Austpac signed a Research Agreement with **BHP Billiton** to continue the ongoing development of the ERMS SR technology. Under the agreement, BHP Billiton will provide funds for:

- The commissioning and operation of the equipment designed to prove Austpac's proprietary continuous metallisation process, which is now being commissioned at the Newcastle plant,
- Additional modelling of the proprietary continuous leach vessel that will form part of the proposed ERMS SR Demonstration Plant planned for Newcastle,
- A review and update of the capital cost estimate for the Demonstration Plant, and
- An independent concept level cost study to obtain updated capital and operating costs for a commercial scale ERMS SR plant.

The agreed work program will take approximately three months and should be completed in November this year. The program will enable Austpac to complete essential testing of the metallisation and leaching steps to confirm the final design and layout of the equipment in the Demonstration Plant. It will also prove those two key steps prior to the development of the Plant.

On completion of the Research Agreement, BHP Billiton will have a right to acquire an exclusive licence for the ERMS SR technology for TiO_2 applications in Africa, and to continue funding the development of the technology, including the Demonstration Plant, through equity participation or otherwise, on terms to be agreed.

New Applications

During the past year, we identified a number of new applications for our mineral processes. These include:

- Using the **EARS** acid regeneration process for the treatment of hazardous waste dusts in the steel industry and recovery of iron units now lost during the steel-making process, and
- The use of the metallisation step from the EARS process as a stand-alone plant to reduce iron ore to **D**irect **R**educed **I**ron (**DRI**).

These applications were investigated during the year under review and are described in more detail elsewhere in this report. They have significantly broadened the opportunities for commercialisation, and they will be developed further during the coming year.

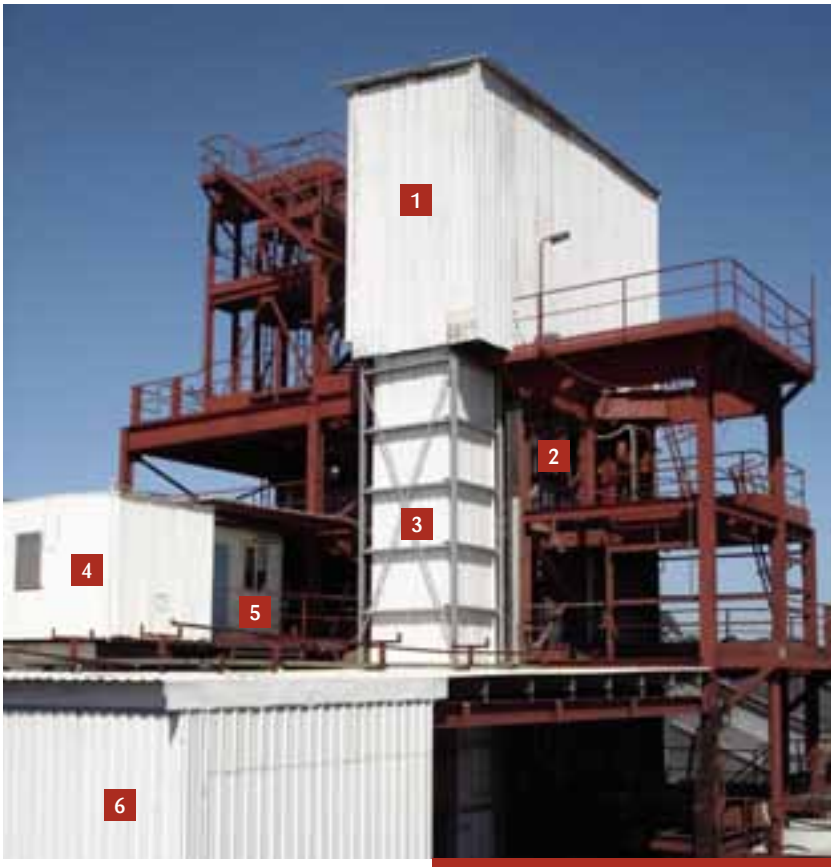
The ERMS SR Process

The application of the ERMS SR synthetic rutile process commences by conditioning ilmenite in a fluid bed roaster, then leaching it in our patented continuous leach reactor at atmospheric pressure with strong hydrochloric acid to remove the iron, leaving a network of rutile crystals within the former ilmenite grain. This "synthetic" rutile is then washed, filtered, heated (calcined) and passed over a magnet to clean up the final product, which typically contains 96% to 98% titanium dioxide, or TiO_2.

The iron leached from the ilmenite occurs as an iron chloride solution, which is treated in an EARS acid regeneration plant to form strong hydrochloric acid and iron oxide pellets. The final stage of the EARS process reduces the iron oxides to metallic iron, termed Direct Reduced Iron ("DRI") pellets, and this product is an excellent feedstock for steel making using an electric arc furnace.

ERMS SR contains significantly more TiO_2 than other commercially available synthetic rutile. The ERMS SR process is the only continuous synrutile process in the world, and is the only one that produces an iron co-product. It is the most environmentally friendly process in the industry, with no solid or liquid wastes, significantly lower carbon dioxide emissions, and lower capital and operating costs in comparison with other synrutile processes.

Other synrutile processes produce fine black or red iron oxides, and this iron is consequently lost as a waste mud which has an ongoing disposal liability. The ERMS SR process is unique in that it is the only synrutile process that produces a valuable iron co-product.



ERMS SR Demonstration Plant

1 Raw materials feed bins and enclosure
2 Roaster train
3 Raw materials hoist enclosure
4 Motor control centre
5 Control room
6 Magnetic separation enclosure

The ERMS SR Demonstration Plant

In order to commercialise the ERMS SR process, Austpac is required to complete a detailed bankable feasibility study, and to obtain data for engineering design and costing which will satisfy project funding requirements for a commercial plant. To achieve this, an integrated plant is being built at our facilities on Kooragang Island, Newcastle. The initial design capacity of the Demonstration Plant was 1,500 tonnes per annum (tpa) of synthetic rutile, however we have decided to expand this capacity to 3,000 tpa to reduce the scale-up factor to a commercial plant.

During the second half of 2005 and into the first quarter of 2006, work concentrated on the construction of the roasting section, or "Stage One" of the Demonstration Plant. This is designed to treat 750 kilograms per hour of ilmenite. It comprises three fluid bed roasters, an afterburner, an anaerobic cooler and the magnetic separators, which have been fabricated and installed in the refurbished process tower. A novel ilmenite feeder, capable of feeding wet or dry ilmenite into the pre-heater while maintaining a gas seal, was constructed and successfully tested. A security fence around the site was completed, and a large area immediately north of the process tower was levelled for a concrete slab, which will be used as a receival area for coal and ilmenite during Stage One and for an acid tank farm for the EARS section of the plant. The feed and product handling systems were under

construction and some of the air systems had been installed when work was deferred pending raising sufficient funds to continue plant construction. The process control units, and the electrical and materials handling systems are the main items requiring installation to complete Stage One.

Early in 2006, we undertook the detailed design, drawings and specifications of the equipment for Stage Two of the Demonstration Plant (the ilmenite leaching, synthetic rutile calcining and the EARS acid regeneration sections). This will facilitate off-site fabrication, which will shorten the construction time, rather than the "in-house" construction used for Stage One. A unique hot solids transfer system, an essential component of the iron metallisation section, was successfully modelled to assist detailed design of the EARS section.

The Demonstration Plant will have a design capacity of 3,000 tpa of ERMS SR and 1,500 tpa of iron pellets, and will be operated for sufficient time to obtain engineering data for the design of a commercial ERMS SR plant, and to produce samples for a product marketing campaign, with emphasis on the iron co-product. Australian steelmakers have already indicated a desire to test the iron pellets with a view to long term purchase agreements. It is anticipated that once funds for completing the plant are available, it will take approximately six months to construct and run the plant, and a further three months to complete the bankable feasibility study.

Austpac envisages the first commercial ERMS SR plant will have an annual capacity of 60,000 tpa of high grade synthetic rutile and at least 30,000 tpa of iron pellets. A number of possible sites for this plant have been considered, including sites in south eastern Australia which would have the capability of upgrading the high chrome, low value ilmenite now being produced in the Murray Basin. Site selection work will continue once construction of the Demonstration Plant recommences.

↑ 5 mm ↓

↑ Fine mineral agglomerates

↓ Jon Trigger insulating the metalliser

↑ Fine mineral fluid bed agglomerator

Fine Mineral Agglomeration

For several years Austpac has been evaluating methods of pelletizing fine minerals, in an attempt to produce marketable synthetic rutile from the very fine ilmenite at Austpac's WIM 150 mineral sand deposit near Horsham, Victoria. While this had been attempted by other groups, it required the addition of a binder that was deleterious to the final product. A breakthrough occurred during the first half of 2006, when Austpac's engineers designed and built a novel fluid bed agglomerator to test samples of fine titanium minerals provided by an overseas group. The initial trials, which produced ideally sized "Hi-Ti" pellets, were very encouraging, and additional tests are planned later this year.

We intend to incorporate the agglomeration technology into the calciner on the Demonstration Plant so that large samples of fine minerals can be processed. The success of this program will have significant implications for fine mineral deposits such as Austpac's WIM 150 deposit in the Murray Basin, Victoria, and open up commercial possibilities for co-operation with other mineral sand and titanium feedstock producers.

The EARS Acid Regeneration and Iron Metallisation Processes

The EARS process, patented by Austpac in the early 1990s, was developed to regenerate strong hydrochloric acid from ilmenite leach liquors, and its original by-product was benign iron oxide pellets, which had low intrinsic value and would be disposed of as inert landfill. Recognising the need for value creation, Austpac's engineers undertook innovative testwork which resulted in the development of a new process to reduce the iron oxides to iron metal pellets (DRI). The process can be incorporated into an EARS plant by re-configuring the fluid bed roasters in a novel way. A preliminary patent application was lodged in June 2005, and following batch testwork to refine the process, a PCT (worldwide) patent application was lodged in June 2006.

The EARS section of the planned Demonstration Plant will include a continuous metallisation unit producing several hundred kilograms of iron per hour. In mid-2006, it was decided to test our novel iron reduction process on iron ores by constructing a stand-alone continuous fluid bed metallising unit at Newcastle, as we recognised potential applications for the process in the iron and steel industries.

At the time of writing this report, the metalliser was being commissioned and we are confident that we will be able to reduce not only the oxide pellets from an EARS plant, but also fine iron ores, and so the process will have world-wide application. We will be using iron ore fines from the Pilbara region of Western Australia to demonstrate iron ore reduction, and expect to report progress in October 2006 in this regard.

The new reduction process has two immediate applications in the iron and steel industries, as described in the following sections.

Recovery of Iron and Treatment of Waste in the Steel Industry

In the steel industry, prior to painting or coating, steel is "pickled" by passing it through an acid bath to remove oxide scale. The spent liquors are often neutralised and then disposed of or used as a flocculant in sewerage treatment plants. An EARS plant could be employed to regenerate hydrochloric acid from spent pickle liquor from a large steel works, and it would have the ability to recover iron units which are currently lost during the "pickling" process. Additional iron units lost as oxide during the steel rolling process could be recycled through the EARS plant, as could baghouse dust, which contains metal oxides. Mill scale and baghouse dust could be added to the spent liquors and recovered as DRI pellets. Testwork at Newcastle has shown that two tonnes of mill scale and/or baghouse dust can be added to each tonne of spent pickle liquor, resulting in the regeneration of one tonne of acid and the recovery of 1.6 tonnes of iron as DRI pellets.

Our process has major positive environmental implications as baghouse dust is usually a hazardous waste with a high disposal cost. This has potential for integrated steel and rolling mills with pickling lines and preliminary discussions have been held with a number of local and offshore groups in regard to this application. When completed, the Demonstration Plant will be useful to showcase the application to such groups.

Direct Reduction of Iron Ore

The potential for direct reduction of iron ore is a powerful new application for our process. Preliminary work has indicated Austpac's reduction process is applicable to iron ore fines, and the continuous metallising unit now being commissioned at Newcastle will be used to demonstrate this on a larger scale. It is believed that this process will be competitive with other direct reduced iron processes. The metallisation section of the EARS plant that will form part of the Newcastle ERMS SR Demonstration Plant will be used for large scale, confirmatory trials. The commercial implications for a new process that adds value to iron ore are very significant.

↑ John Cox adjusts thermocouples on the metalliser

← Sight glass on metalliser

Sampling of major structures at a gold mine

Gold Exploration in China

In December 2005, the Company identified gold exploration opportunities in China, building on goodwill generated during property evaluations undertaken some years previously. The prospective areas lie within gold districts in which there have been a number of recent discoveries, which Austpac has diligently monitored.

During the first quarter of 2006, Austpac undertook an initial evaluation of two mining projects within a gold district in south eastern China within a geological setting that is documented by the U.S. Geological Survey as being similar to the well-known Carlin gold district in Nevada. The 4 million ounce Jinfeng gold deposit being developed by ASX-listed Sino Gold occurs within a Carlin-type geological setting, and was discovered by testing for sulphide gold mineralisation below an existing oxide gold mine.

The operating mines that we have evaluated are exploiting near-surface oxide gold ore along major gold-bearing structures and they have good potential for significant gold-bearing sulphide mineralisation at depth. Samples taken during the first quarter of 2006 from the top of the underlying sulphide zones were encouraging, and confirmed the grades of 4 to 6 g/t Au reported from the sulphide zones. The mine owners are seeking both funding and technical expertise to develop the mines within the primary sulphide zone, underneath the oxide zones.

Mike Smith sampling mine ore zone in China

During June 2006, a follow-up visit was undertaken to the district, and Austpac was accompanied by a third party which funded this second field program. This company is interested in providing ongoing funding for the evaluation and development of these properties as sulphide gold mines.

During September 2006, due diligence investigations commenced on all aspects of the properties which will lead to the execution of a formal contract for exploration before the end of the year. Until this contract is executed the identity of the other parties to the joint venture remains confidential. Upon the granting of a Business Licence to operate in China, it is anticipated that the joint venture will commence a comprehensive program of drilling and related investigations during the first half of 2007.

Exploration Licence 4521 – Horsham Joint Venture

The Victorian Department of Primary Industry has renewed EL 4521, at Horsham, which contains the large fine grained WIM 150 deposit, for an additional two year term and has granted EL 4532 following the termination of Native Title Applications with respect to Crown Land inside the area of EL 4521. The two licences are now being merged.

WIM 150 contains approximately five million tonnes of zircon and approximately 12.5 million tonnes of ilmenite; and is therefore a very large resource of heavy minerals. Austpac demonstrated some years ago that a +95% TiO_2 synthetic rutile can be produced from the fine grained WIM 150 ilmenite. The Company has also successfully agglomerated this product. However, at that time we were concentrating on processing coarse grained ilmenite and full scale test work on WIM 150 ilmenite was deferred.

In February 2004, Austpac and Australian Zircon N.L. (formerly Southern Titanium N.L.) signed a farm-in agreement to investigate the potential for the development of Austpac's WIM 150 heavy mineral deposit. Australian Zircon will earn an 80% participating interest by completing a bankable feasibility study on WIM 150, after which Austpac may elect to maintain a 20% working interest or convert to a 10% net profit interest.

Australian Zircon has conducted a comprehensive review of all data derived from drilling and assaying undertaken on the WIM 150 heavy mineral resource in the 1980s by Wimmera Industrial Minerals, a subsidiary of Rio Tinto.

Australian Zircon, which is focused on zircon minerals, advised that a sample of non-magnetic concentrates produced by Roche MT from WIM 150 heavy mineral concentrate was processed to produce zircon and rutile/leucoxene products. The material was amenable to standard mineral sands separating techniques with recoveries of 76% of zircon in the non-magnetic feed and 70% of the TiO_2 to the rutile/leucoxene products.

Subsequently, Australian Zircon (AZC) reported that primary and secondary ilmenite concentrates were produced by Roche MT from WIM 150 heavy mineral concentrate. The material was amenable to standard dry magnetic and high tension roll techniques to derive the ilmenite products. The results of these tests were in line with expectations based on previous testwork including recoveries in excess of 90%.

AZC intends to undertake drilling within the core zone of WIM 150 later this year to confirm the quality of the older exploration data, and also plans to excavate an additional bulk sample of heavy mineral concentrate for further metallurgical testwork in 2007. Subject to the results of these programs, AZC proposes to commence a bankable feasibility study on WIM 150 during the second half of 2007.

Austpac is independently progressing tests on the fine ilmenite from WIM 150. The Company has previously reported that the ERMS SR process can produce a good synthetic rutile product, but it was too fine to be commercially acceptable. We believe the development of the fluid bed agglomerator for fine minerals, described in a previous section of this report, will provide a solution for the fine grained titanium minerals at WIM 150, and further testwork is planned on this material.

Schedule of Mining Tenements in Victoria at 30 October 2006

Nature of Title	EL 4521	EL 4532
Area	377 sq km	377 sq km
Name	Horsham	Horsham
Status	Granted 1/12/05 for two years	Merger with EL 4521 pending

↑ Spiral separation of WIM 150 heavy minerals

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

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Directors' Report

The directors of Austpac Resources N.L., ('the Company') A.C.N. 002 264 057, present their report together with the financial report of the Company and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2006 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Terry Cuthbertson *ACA* **Chairman**

Age 56

Mr Cuthbertson is currently Chairman of Montec International Limited. He was previously Group Finance Director for Tech Pacific Holdings Pty Ltd which generated over $2 billion in revenues from operations throughout the Asia-Pacific Region. From 1986 to 1995 he was a Senior Partner of KPMG, specialising in strategic and corporate advice to major corporations. Mr Cuthbertson brings extensive international corporate experience to Austpac including a practical operating knowledge of business practices and structures in India, China and Southeast Asia.

Mr Cuthbertson was appointed a Director of Austpac Resources N.L. on 27 March 2001 and Chairman of Austpac Resources N.L. on 31 May 2004.

Michael J. Turbott *BSc (Hons), FAusIMM, MAIG* **Managing Director**

Age 62

Mr Turbott was formerly a Director and Vice President of Kennecott Explorations (Australia) Ltd, and was in charge of the exploration programs that led to the discovery of the Lihir gold deposit in Papua New Guinea and to the acquisition and initial development of the Gordonstone coal mine in the Bowen Basin, Queensland. His 38 years' experience in the mining industry has encompassed a wide variety of exploration and development projects in Australia, New Zealand, Papua New Guinea, Indonesia, Philippines, Canada and the USA.

Mr Turbott has been the Managing Director of Austpac Resources N.L. since its formation as an epithermal gold explorer in 1985. In 1988 Austpac became involved in the Westport ilmenite sand deposits in New Zealand. This led to the development of Austpac's proprietary ERMS roasting process to separate refractory ilmenite and, subsequently, to the patented EARS acid regeneration process. Under Mr Turbott's direction, since the mid 1990s Austpac has focused on its mineral sand technologies and has developed a proprietary continuous leaching process and specialist know-how in low temperature roasting and in the treatment of iron minerals as well as the ERMS SR process for the production of high grade synthetic rutile. Austpac's technologies are applicable to a wide range of mineral sand deposits and are now being commercialised.

Robert J. Harrison *FAICD* **Non-Executive Director**

Age 67

Mr Harrison has over 20 years' experience in the marketing of titanium minerals and zircon. He was Managing Director of Consolidated Rutile Limited's marketing subsidiary Minerals Pty Limited for a number of years before forming the mineral sands marketing consultancy Mineralex Agencies Pty Limited, of which he is Managing Director. Since 1986 Mr Harrison has provided marketing support, market surveys, statistical analyses and product reviews for titanium dioxide feedstocks, titanium dioxide pigments and zircon to a range of significant producers and consumers of those products in Australia, India, Africa, Europe and the North America.

Mr Harrison was appointed a Director of Austpac Resources N.L. on 1 September 2004.

Company Secretary

Mr Gaston is a Chartered Secretary with 30 years listed public company experience including Lend Lease Corporation, Peko Wallsend Limited and American Metals Climax (AMAX).

Officers who were previously partners of the audit firm

Officers who were previously partners of the current audit firm KPMG, at the time when KPMG undertook an audit of the Company – T. Cuthbertson who retired from KPMG in 1995.

Directors' Interests and Benefits

The relevant interest of each director in the share capital of the Company at the date of this report and as notified by the directors to the Australian Stock Exchange in accordance with Section 205G(1) of the Corporations Act 2001 was:

	Ordinary Shares	
	Direct	Indirect
Terry Cuthbertson	–	1,766,667
Michael J. Turbott	5,867,785	3,283,333
Robert J. Harrison	500,000	–

In accordance with the Company's articles of association, Mr Robert J. Harrison retires from the Board of Directors and, being eligible, offers himself for re-election.

Directors' Meetings

The number of meetings held and attended by each of the directors of the Company during the financial year are:

	Board Meetings attended	*Board Meetings* held during the time the director held office	*Audit Committee*		*Remuneration Committee*	
			Meetings attended	Meetings held	Meetings attended	Meetings held
Terry Cuthbertson	12	12	2	2	1	1
Michael J. Turbott	12	12	2	2	1	1
Robert J. Harrison	12	12	2	2	1	1

Principal Activities

The principal activity of the consolidated entity is the development of mineral processing technology and exploration and development of mineral sands deposits and gold deposits.

Review and Results of Operations

A review of the operations of the consolidated entity for the year and the results of those operations are contained in the section entitled *Directors' Report on Operations* commencing in the front section of this Annual Report.

Dividends

No dividends were paid or declared by the Company during the year. The directors do not recommend the payment of a dividend.

State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year which are not disclosed in the Annual Report.

Subsequent Events

Share Placements

Since 30 June 2006, a placement has been made in August 2006 for 15,000,000 fully paid ordinary shares at 2 cents each to raise $300,000 for working capital.

Research Agreement

On 11 September 2006 Austpac Resources N.L. signed a research agreement with BHP Billiton to continue the ongoing development of the Company's ERMS synthetic rutile technology for the production of high grade synthetic rutile and the direct reduced iron co-product (DRI). Under the agreement, BHP Billiton will provide funds for:

- the commissioning and operation of the equipment designed to prove Austpac's proprietary continuous metallisation process, which is now in the final stages of construction at the Newcastle plant,
- additional modeling of the proprietary continuous leach vessel that will form part of the proposed ERMS SR Demonstration Plant planned for Newcastle,
- a review and update of the capital cost estimate for the Demonstration Plant, and

- an independent concept level cost study to obtain updated capital and operating costs for a commercial scale ERMS SR plant.

The agreed work program will take approximately three months and should be completed in November this year.

The program will enable Austpac to complete essential testing of the metallisation and leaching steps to confirm the final design and layout of the equipment in the Demonstration Plant. It will also prove those two key steps prior to the development of the Demonstration Plant.

On completion of the Research Agreement, BHP Billiton will have a right to acquire an exclusive licence for the ERMS SR technology for TiO_2 applications in Africa, and to continue funding the development of the technology, including the Demonstration Plant, through equity participation or otherwise, on terms to be agreed.

Other than as identified above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity in future financial years.

Likely Developments

Except as described elsewhere in this Annual Report, further information about likely developments in the operations of the consolidated entity and the expected results of those operations has not been included as disclosure of such information would likely result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

The consolidated entity's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its technology development.

The directors are not aware of any breach during the period covered by this report.

Remuneration Report

Directors' and Senior Executives' Emoluments

The Board remuneration policy is to ensure the remuneration package properly reflects the duties and responsibilities of the director. The Remuneration Committee ascertains non-executive Director remuneration and also staff remuneration which are separate and distinct. Remuneration is set by the Board of Directors and reflects a cost containment programme implemented in 2003 reducing overheads by $400,000 p.a. Reported remuneration is therefore below market for those reported. The Company has a remuneration policy aimed at retention of key technical staff to ensure the progression and commercialisation of the Company's technologies.

This policy is somewhat restricted by limited funds, however, the employee share purchase plan, provide staff with an incentive and sense of ownership. The Company is managed by the Managing Director, supported by the Board of Directors. The Company does not have a senior executive staff. The Company has no employees that are specified executives.

Details of the nature and amount of each major element of the emoluments of each director of the Company for the year ending 30 June 2006 are:

	Short Term			*Post Employment*	
	Base	**Non Cash Benefits**	**Consulting Fees**	**Super**	**Total**
	$	**$**	**$**	**$**	**$**
Mr M.J. Turbott	121,521	20,700	–	12,000	154,221
Mr T. Cuthbertson	25,000	–	15,000	–	40,000
Mr R. Harrison	15,000	–	15,000	–	30,000

Current non-executive Director's fees are within levels approved by shareholders in general meeting on 20 November 1997 ($55,000).

Non cash benefits relate to motor vehicles during the financial year for the Managing Director and consultancy fees relate to additional services provided by Messrs Cuthbertson and Harrison for professional time in excess of normal Director duties.

Notsag Pty Limited, a company which provides corporate, financial, underwriting and guarantee services, employs Mr N. Gaston and provides his services as company secretary. Notsag Pty Limited received fees of $120,000 during the financial year ended 30 June 2006.

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to super funds.

Performance Remuneration

There is no performance linked remuneration other than the Employee Share Purchase Plan which is designed to retain and motivate key employees. Directors are entitled to participate in the Employee Share Purchase Plan when issues are proposed. All issues under the plan are approved in Annual General Meeting before being allocated. No shares were issued under the plan during the financial year ended 30 June 2006.

Service Agreements

There are no current service agreements for Directors or staff of the Company. No bonuses are paid. No retirement benefits are paid to non-executive Directors. No termination benefits are paid to non-executive Directors.

Options

During or since the end of the financial year no options have been granted by the Company and there are no outstanding options on issue at the date of this report.

Indemnification and Insurance

The Company does not have a Directors' and Officers' insurance against liability which may arise from holding the position of Director or Officer.

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer of the Company or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. These fees are detailed in Note 3 of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional Independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the Lead auditors' independence declaration as required under Section 307C of the Corporations Act, as provided on page 16, is included in the Directors' Report.

Signed at Sydney this twenty ninth day of September 2006 in accordance with a resolution of the Board of Directors of Austpac Resources N.L.

T. Cuthbertson
Chairman

M.J. Turbott
Managing Director

Lead Auditor's Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The directors of Austpac Resources N.L.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

A. Jones
Partner

Sydney, 29 September 2006

Corporate Governance Statement

This Statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

Board of Directors

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

A description of the Company's main corporate governance practices is set out below. All these practices were in place for the entire year.

Board Process

The Board holds 12 scheduled meetings every year plus any additional meetings as required. The agenda for Board meetings is prepared by the Company Secretary in conjunction with the Chairman and Managing Director. Standing agenda items include the Managing Directors report, financial report and project activity reports together with governance and compliance issues. Board papers are circulated in advance.

The monthly board papers include monthly and year to date financial reports for all projects and corporate. A monthly revised forecast for the financial year is presented at each Board Meeting and compared against approved budgets.

Twelve monthly budgets are submitted for the forthcoming financial year, three months in advance and reviewed three times for refinement and ultimate approval.

Three year and five year plans are maintained and revised in accordance with requirements and financial capability of the consolidated entity.

Composition of the Board

At the date of this report, the Board of Directors comprises a non-executive independent chairman, one independent Director and the Managing Director.

The members of the Board of Directors appear on page 12 of the Directors' Report with brief resumes and profiles. The Board elects Directors on the basis of Corporate requirements and project activity. High calibre independents with substantial experience at senior level are sought when required. Directors are considered independent if they meet the following independent Directors standard:

- Is not a substantial shareholder of Austpac Resources N.L.;
- Has not within the last 3 years been employed in a senior capacity by Austpac Resources N.L. or been a director after ceasing to hold any such employment;
- Is not a principal or employee of a professional advisor to Austpac Resources N.L.;
- Is not a material supplier or customer of Austpac Resources N.L. or an officer of or directly or indirectly associated with a significant supplier or customer;
- Has no material contractual relationship with Austpac Resources N.L. or any of its associates other than as a director of Austpac Resources N.L.;
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of Austpac Resources N.L. and independently of management; and
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Austpac Resources N.L.

In this context the Board considers material, any director-related business relationship that is or is likely in the future to be more than 10 per cent of the director-related business's revenue.

All directors are expected to act in the best interests of Austpac Resources N.L.

The members of each Board Committee are independent Directors. The Audit Committee, the Compliance Committee and the Remuneration Committee are chaired by an independent Director and are composed of independent Directors.

Corporate Governance Statement

Board Committees

Three permanent Board Committees have been established to assist in the execution of the Board's responsibilities as described below. These are:

- Audit Committee;
- Compliance Committee;
- Remuneration Committee.

These Committees have charters which are reviewed on a regular basis. All Board members are free to attend any meeting of any Board Committee. All Committees have access to professional advice from the employees within Austpac Resources N.L. and from appropriate external advisors. Committees may meet these external advisors without Management being present.

Audit Committee

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be non-executive directors with a majority being independent. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The Committee also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit Committee during the year were:

- Mr T. Cuthbertson (Chairman)
- Mr R. Harrison

The profiles of these Directors are included on page 12 of the Directors' Report. The Directors of this Committee are independent Directors.

The external auditors, the Managing Director and Company Secretary, are invited to Audit Committee meetings. The Committee meets twice a year.

The responsibilities of the Audit Committee include:

- reviewing the financial report and other financial information distributed externally;
- monitoring corporate risk assessment processes;
- reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- monitoring the activities of the internal control function;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- reviewing the nomination and performance of the auditor. The external auditors were appointed in 1985. The lead external audit engagement partner was last rotated in 2005;
- liasing with the external auditors and ensuring that annual and half-year statutory audits are conducted in an effective manner;
- monitoring the establishment of an appropriate internal control framework and considering enhancements;
- monitoring the establishment of appropriate ethical standards;
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and Stock Exchange Listing Rules and all other regulatory requirements;
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions;
- reviewing reports on any major defalcations, frauds and thefts from the Company and ensuring that the Company's Internal Control Plan is adhered to;
- improving the quality of the accounting function.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

Audit Planning

- To discuss the external audit plan;
- To discuss any significant issues that may be foreseen;
- To discuss the impact of any proposed changes in accounting policies on the financial statements;
- To review the nature and impact of any changes in accounting policies adopted by the consolidated entity during the year;
- To review the fees proposed for the audit work to be performed.

Prior to announcement of results

- To review the half-yearly and annual report prior to lodgment of those documents with the ASX, and any significant adjustments required as a result of the audit;
- To make the necessary recommendation to the Board for the approval of these documents.

Half-yearly and annual reporting

- To review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- To review the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval of the financial report.

The Managing Director and Company Secretary/Chief Financial Officer have declared in writing to the Board that Austpac Resources N.L. Financial Report for the year ended 30 June 2006 presents fairly, in all material respects, Austpac Resources N.L. financial condition and operational results and is in accordance with applicable Accounting Standards. The Committee has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the Committee's scope of responsibility. The Committee has a documented charter which incorporates the ASX Best Practice Guidelines.

The Committee assists the Board to fulfill its corporate governance and disclosure responsibilities in relation to financial reporting, internal control structure, risk management systems and internal and external audit. This includes:

- exercising oversight of the accuracy and completeness of the financial statements and their adequacy for security holders, compliance with the Corporations Act 2001, ASX Listing Rules and other regulatory requirements;
- making informed decisions regarding accounting policies, practices and disclosures;
- reviewing Austpac Resources N.L.'s policies and procedures for convergence with the Australian equivalents to International Financial Reporting Standards ("AIFRS") for reporting periods beginning on 1 July 2005;
- reviewing the scope and results of operational risk reviews and external audits;
- assessing the performance and adequacy of Austpac Resources N.L.'s internal control framework including accounting, compliance and operational risk management controls;
- annual review of the performance of the internal audit team, including a review of their independence, coordination with external auditors, resource levels and a review of their findings and management responses;
- annual review of the external auditor's performance taking into account the duration of the appointments, date of partner rotation, fees paid and considering matters requiring discussion in the absence of Management; and
- other related matters including monitoring insurance coverage, related party transactions and monitoring litigation other than in the normal course of business.

The Audit Committee also has responsibility for the oversight and monitoring of risk management. It is also responsible for the nomination and removal of external auditors. The following principles and practices are adopted:

- The external auditor must remain independent of Austpac Resources N.L. at all times;
- The external auditor is to be appointed to all controlled entities in the Group;
- The external auditor must not undertake staff recruitment or provide internal audit, management, or IT consulting services to Austpac Resources N.L.;
- The external auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for Austpac Resources N.L. or audits its own professional expertise;
- The external audit engagement partner and review partner will be rotated every five years.

The external auditor provides an annual declaration of independence as required by the *Corporations Act 2001*,which is consistent with Professional Statement F.1 of the Code of Professional Conduct as recognised by Australia's professional accounting bodies.

Corporate Governance Statement

Compliance Committee

The Compliance Committee is responsible for monitoring and reviewing the effectiveness of the Compliance Plan and function and in ensuring adherence to applicable laws and regulations.

The Compliance Committee comprised the following members during the year:

- Mr T. Cuthbertson (Chairman)
- Mr R. Harrison

The profiles of these Directors are included on page 12 of the Directors' Report. The Directors of this Committee are independent Directors.

The role of the Compliance Committee includes responsibility for evaluation of the effectiveness of Austpac Resources N.L.'s compliance systems which are designed to protect the interests of security holders. The Compliance Committee meets regularly and reviews compliance with ASX listing rules and procedures and reporting, ASIC requirements and regulations and adherence to the Corporations Act 2001.

Risk Management

Oversight of the risk management system

The Board oversees the establishment, implementation and annual review of Austpac Resources N.L. risk management system with assistance from the Audit Committee. Management has established and implemented a risk management system for assessing, monitoring and managing operational financial reporting and compliance risk for Austpac Resources N.L.

Functional systems of risk management and reporting between project level, senior management and the Board of Directors have been established.

The Managing Director and the Company Secretary/Chief Financial Officer have declared, in writing to the Board, that Austpac Resources N.L.'s financial reporting, risk management and associated compliance and controls have been assessed and are operating efficiently and effectively.

During each Audit Committee meeting the Audit Committee reports to the Board on the status of risks through integrated risk management programmes aimed at ensuring all risks are identified, assessed and appropriately managed.

In addition the Managing Director and Company Secretary/Chief Financial Officer have declared in writing to the Board that:

a) Austpac Resources N.L.'s financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

b) Austpac Resources N.L's risk management, internal compliance and control systems are operating efficiently and effectively in all material respects.

Risk Profile

In order to identify the material risks facing Austpac Resources N.L. and prioritise the actions necessary to mitigate these risks, an annual risk review is undertaken to identify, assess, monitor and manage the financial, operational and strategic risks.

Risk management and compliance and control

A robust risk management framework coupled with thorough internal reporting processes and highly qualified, competent and reliable staff provides Austpac Resources N.L. with a solid platform from which Austpac Resources N.L. manages the main areas of risk impacting the business.

Assessment of effectiveness

The effectiveness of risk management practices is assessed and reported to both Executive Management and the Audit Committee.

Commitment to shareholders and an informed market

The Board believes that security holders and the investment market generally, should be informed of all major business events that influence Austpac Resources N.L. in a timely and widely available manner. The full board of directors ensures that Austpac Resources N.L. meets its disclosure obligations under ASX Listing Rule 3.1.

Austpac Resources N.L. produces two sets of financial information annually; the half-yearly Financial Report for the six months to 31 December and the Annual Report and Financial Report for the year to 30 June. This is in addition to the Australian Stock Exchange quarterly working capital reports in July, October, January and April.

Shareholders have the right to attend the Annual General Meeting of Shareholders, usually held towards the end of November each year. Shareholders are provided with an explanatory memorandum on the resolutions proposed in the Notice of Meeting.

A copy of the Notice of Meeting is mailed to shareholders who are encouraged to vote on all resolutions. Unless specifically stated in the Notice of Meeting, all holders of securities are eligible to vote on all resolutions. In the event that shareholders cannot attend the Annual General Meeting of Shareholders they are able to lodge a proxy in accordance with the Corporations Act 2001. Proxy forms may be lodged by facsimile. Austpac Resources N.L.'s external auditor also attends the AGM and is available to answer any questions about the conduct of the audit and the audit report from security holders.

Staff and director trading in Austpac Resources N.L.'s securities

Austpac Resources N.L. Board members may only trade in Austpac Resources N.L.'s securities during a nominated trading window which is within three weeks after any announcement to the Australian Stock Exchange. At other times, they may trade with the concurrence of two Non-Executive Directors, one of which must be the Chairman. Trading in securities by Directors and senior staff at any time requires the consent of two Non-Executive Directors, one of which must be the Chairman. All other employees require the prior consent of the Managing Director to trade in securities.

Remuneration Committee

The Remuneration Committee meets in January each year or more frequently if Cost Containment programs are to be implemented. The members of the Remuneration Committee are:

- Mr T. Cuthbertson (Chairman)
- Mr R. Harrison

The profiles of these Directors are included on page 12 of the Directors' Report. The Directors of this Committee are independent Directors.

The Remuneration Committee assists the Board in ensuring that Austpac Resources N.L.'s remuneration levels are appropriate in the markets in which it operates and are applied fairly to attract and retain appropriately qualified and experienced directors and senior staff. The Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies.

The Committee also has the responsibility to review and approve, on behalf of the Board, recommendations for annual staff remuneration made by Management and review and recommend to the Board:

- proposals for changes to remuneration policies and human resources issues which are referred to the Board by the Managing Director;
- remuneration recommendations relating to the Chairman, Non-Executive Directors, the Managing Director and senior Management, including incentive policies for the Managing Director and the senior Management team;
- Austpac Resources N.L. recruitment, retention and termination policies and procedures for senior Management;
- incentive schemes;
- superannuation arrangements;
- creation or amendment of any employee or executive share schemes; and
- the remuneration framework for Non-Executive Directors including the amount of directors' fees, any increase in the overall amount of directors' fees and any increase requiring security holder approval.

Income Statements

FOR THE YEAR ENDED 30 JUNE 2006

Austpac Resources N.L. and its Controlled Entities	NOTE	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	THE COMPANY 2006 $	THE COMPANY 2005 $
Administrative expenses		(1,089,297)	(2,061,056)	(1,089,297)	(2,061,056)
(Loss) before financing costs		(1,089,297)	(2,061,056)	(1,089,297)	(2,061,056)
Financial income	2	1,944	23,712	1,944	23,712
Financial expenses	2	(13,597)	(24,324)	(13,597)	(24,324)
Net financing costs	2	(11,653)	(612)	(11,653)	(612)
(Loss) before tax		(1,100,950)	(2,061,668)	(1,100,950)	(2,061,668)
Income tax benefit	5	340,195	–	340,195	–
(Loss) after tax		(760,755)	(2,061,668)	(760,755)	(2,061,668)
Attributable to:					
Equity holders of the parent		(760,755)	(2,061,668)	(760,755)	(2,061,668)
		2006 cents	**2005 cents**		
Basic and diluted loss per share		(0.14)	(0.42)		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

Statements of Recognised Income and Expense

FOR THE YEAR ENDED 30 JUNE 2006

Austpac Resources N.L. and its Controlled Entities		CONSOLIDATED		THE COMPANY	
		2006	2005	2006	2005
	NOTE	$	$	$	$
Loss for the year		(760,755)	(2,061,668)	(760,755)	(2,061,668)
Total recognised income and expense for the year		(760,755)	(2,061,668)	(760,755)	(2,061,668)
Attributable to:					
Equity holders of the parent		(760,755)	(2,061,668)	(760,755)	(2,061,668)

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements as set out on pages 26 to 43.

Balance Sheets

AS AT 30 JUNE 2006

Austpac Resources N.L. and its Controlled Entities	NOTE	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	THE COMPANY 2006 $	THE COMPANY 2005 $
Assets					
Cash and cash equivalents	8	60,961	344,066	60,961	344,066
Trade and other receivables	9	570,349	94,420	570,349	94,420
Total Current Assets		631,310	438,486	631,310	438,486
Property, plant and equipment	11	261,607	233,159	261,607	233,159
Intangible assets	12	5,483,428	5,227,548	5,483,428	5,227,548
Total Non-Current Assets		5,745,035	5,460,707	5,745,035	5,460,707
Total Assets		6,376,345	5,899,193	6,376,345	5,899,193
Liabilities					
Trade and other payables	13	269,068	452,137	269,068	452,137
Interest bearing loans and borrowings	14	59,542	124,186	59,542	124,186
Employee benefits	15	306,213	281,747	306,213	281,747
Total Current Liabilities		634,823	858,070	634,823	858,070
Interest bearing loans and borrowings	14	105,047	91,892	105,047	91,892
Total Non-Current Liabilities		105,047	91,892	105,047	91,892
Total Liabilities		739,870	949,962	739,870	949,962
Net Assets		5,636,475	4,949,231	5,636,475	4,949,231
Equity					
Issued capital	16	46,939,454	45,491,455	46,939,454	45,491,455
Accumulated Losses	17	(41,302,979)	(40,542,224)	(41,302,979)	(40,542,224)
Total equity attributable to equity holders of the parent		5,636,475	4,949,231	5,636,475	4,949,231
Total equity		5,636,475	4,949,231	5,636,475	4,949,231

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	THE COMPANY 2006 $	THE COMPANY 2005 $
Cash Flows from Operating Activities					
Cash paid to suppliers and employees		(1,142,915)	(1,989,856)	(1,142,915)	(1,989,856)
Interest received		1,944	23,712	1,944	23,712
Interest paid		(13,597)	(24,324)	(13,597)	(24,324)
Net cash used in operating activities	23	(1,154,568)	(1,990,468)	(1,154,568)	(1,990,468)
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(39,013)	(20,098)	(39,013)	(20,098)
Payments for intangible assets:					
Mineral Technology Development		(244,586)	(781,349)	(244,586)	(781,349)
Exploration and Evaluation		(11,294)	–	(11,294)	–
Net cash used in investing activities		(294,893)	(801,447)	(294,893)	(801,447)
Cash Flows from Financing Activities					
Proceeds from issue of share capital		1,217,845	2,923,975	1,217,845	2,923,975
Payment of finance lease liabilities		(51,489)	(59,686)	(51,489)	(59,686)
Net cash from financing activities		1,166,356	2,864,289	1,166,356	2,864,289
Net increase/(decrease) in cash held		(283,105)	72,374	(283,105)	72,374
Cash and cash equivalents at 1 July		344,066	271,692	344,066	271,692
Cash and cash equivalents at 30 June		60,961	344,066	60,961	344,066

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

Note 1:
Significant Accounting Policies

A. Significant Accounting Policies

Austpac Resources N.L. (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2006 comprises the Company and its subsidiaries (the "consolidated entity").

The financial report was authorised for issue by the directors on 29 September 2006.

Statement of Compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS").

This is the consolidated entity's first financial report prepared in accordance with AIFRS and AASB 1 *First Time Adoption of Australian International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 24.

B. Basis of Preparation

The financial report is presented in Australian dollars. The entity has elected to early adopt the following accounting standards and amendments:

- AASB 132 *Financial Instruments: Disclosure and Presentation*;
- AASB 139 *Financial Instruments: Recognition and Measurement*;
- AASB 119 *Employee Benefits* (December 2004);
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements and AASB 124 Related Party Disclosures*;
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*;
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (either July or December);
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004);
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004) and AASB 139 *Financial Instruments: Recognition and Measurement*;
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*;
- AASB 2005-8 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004) ;
- AASB 2005-9 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 132 *Financial Instruments: Disclosure and Presentation*;
- AASB 2005-11 *Amendments to Australian Accounting Standards* (September 2005) amending AASB 101 *Presentation of Financial Statements*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*;
- UIG 4 *Determining Whether an arrangement contains a Lease*; and
- UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*.

Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 *Financial instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007;

- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Reporting*, AASB 117 Leases, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1039 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The consolidated entity plans to adopt AASB 7 and AASB 2005-10 in the 2007 financial year. The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned only with disclosures.

The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2005 for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by all entities in the consolidated entity.

C. Going Concern

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Company and the consolidated entity will be able to fund future operations through share issues, the successful commercialisation of mineral technologies or the joint venturing or sale of interests held in mineral projects.

Without the commercialisation of mineral technologies, equity raisings or joint venturing or sale of interests held in mineral tenements and projects, there is uncertainty whether the consolidated entity will be able to continue as a going concern.

If the consolidated entity is unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities in order to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

D. Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated interim financial report from the date that control commences until the date that control ceases.

(ii) Jointly controlled operations and assets

The interest of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iii) Transactions eliminated on consolidation

All intragroup balances and transactions, including any unrealised gains or losses are eliminated on consolidation.

E. Foreign Currency Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the

foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

F. Property, Plant and Equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1 (k)). The carrying amount of property, plant and equipment is reviewed annually by directors to ensure that it is not in excess of the recoverable amount from those assets. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- property, plant and equipment 7 years
- leased plant and equipment and motor vehicles 10 years

The residual value, if not insignificant, is reassessed annually.

G. Intangible Assets – Mineral Technology Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see Accounting Policy 1(K)).

Amortisation

Mineral technology development assets are not currently being amortised as the policy applied by the consolidated entity is to amortise these assets on a systematic basis over projected revenue streams once commercial licence agreements have been agreed.

H. Intangible Assets – Exploration and Evaluation Assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations, in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment, accounting policy (k)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

I. Trade and Other Receivables

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy 1 (K)).

J. Cash and Cash Equivalents

Cash and cash equivalents comprises cash balances and call deposits.

K. Impairment

The carrying amounts of the consolidated entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

Recoverable amounts are estimated annually for intangible assets not yet available for use. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

L. Employee Benefits

Liabilities for employee entitlements for wages, salaries and annual leave represent present obligations resulting from employees' services up to reporting date, calculated on undiscounted amounts based on current wage and salary rates, including related on-costs. Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement as incurred.

Non-accumulating non-monetary benefits, such as medical care, housing, or cars, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

M. Provisions

Provisions are recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation and it is probably that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

N. Trade and other Payables

Trade and other payables are stated at amortised cost.

O. Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Net financing costs

Interest income and expense is recognised in the income statement as it accrues, using the effective interest method.

P. Income Tax

Income tax on the loss for the years presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance sheet date and any adjustment to tax payable in respect of previous years. The balance sheet liability method is

used under which deferred assets and liabilities are recognised for temporary differences between the tax values of assets and their carrying amounts in the financial statements.

A deferred tax asset is recognised only to the extent that it is probably that future taxable profits will be available against which the asset can be utilised. Deferred assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Q. Derivatives

The consolidated entity is exposed to changes in interest rates and commodity prices from its activities. The consolidated entity does not hedge these risks.

R. Segment Reporting

The Company operates in one segment only, being Mineral Sands and Mineral Sands Technology Development in Australia.

S. Accounting Estimates and Judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Recoverability of intangible assets

The carrying amount of intangible assets relating to mineral technology development total $4,854,386. The consolidated entity assesses intangibles which are not being amortised annually in accordance with the accounting policy in note 1(K). The recoverable amount of the intangibles is considered by reference to independent valuations of the technology.

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Note 2: Net Financing Costs				
– Interest Income	1,944	23,712	1,944	23,712
– Interest Expense	(13,597)	(24,324)	(13,597)	(24,324)
Net financing income/(expense)	(11,653)	(612)	(11,653)	(612)
Note 3: Auditors' Remuneration				
Audit Services – KPMG Australia				
– Audit and review of financial reports	54,500	47,000	54,500	47,000
Other Services				
Auditors of the Company – KPMG Australia				
– Taxation services	30,000	10,000	30,000	10,000
Note 4: Personnel Expenses				
Wages and salaries	400,953	405,199	400,953	405,199
Contributions to defined contribution superannuation funds	57,562	88,991	57,562	88,991
Increase in liability for employee benfits	24,466	1,747	24,466	1,747
	482,981	495,937	482,981	495,937

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Note 5: Income Tax Expense				
Recognised in the income statement				
Current tax benefit				
Current year	(568,422)	(618,500)	(568,422)	(618,500)
Deferred tax expense				
Current year deferred tax assets not recognised	228,227	618,500	228,227	618,500
Income tax benefit in income statement	(340,195)	–	(340,195)	–
Numerical reconciliation between tax benefit and pre-tax net loss				
Loss before tax	(760,755)	(2,061,668)	(760,755)	(2,061,668)
Prima facie income tax benefit using the domestic corporation tax rate of 30%	(228,227)	(618,500)	(228,227)	(618,500)
Increase in income tax benefit due to:				
Research and development refund	(340,195)	–	(340,195)	–
Decrease in income tax benefit due to:				
Current year deferred tax assets not recognised	228,227	618,500	228,227	618,500
Income tax benefit on pre-tax net loss	(340,195)	–	(340,195)	–
Note 6: Deferred Tax Assets and Liabilities				
Deferred tax assets and (liabilities) are attributable to the following:				
Mineral technology development	(1,456,316)	(1,383,000)	(1,456,316)	(1,383,000)
Exploration and evaluation	(188,653)	(185,264)	(188,653)	(185,264)
Employee benefits	91,864	84,524	91,864	84,524
Unused tax losses	1,553,105	1,483,740	1,553,105	1,483,740
Net tax (asset)/liability	–	–	–	–
Deferred tax assets not recognised				
Deferred tax assets not recognised because it is probable that the benefits will be utilised against future taxable profits comprise:				
Unused tax losses	2,756,426	2,528,199	2,756,426	2,528,199

The deductible temporary differences do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits there from.

Note 7: Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2006 was based on the loss attributable to ordinary shareholders of $760,755 (2005:$2,061,668) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2006 of 544,509,941 (2005: 488,788,714), calculated as follows:

	CONSOLIDATED	
	2006	2005
Weighted average number of shares		
Issued ordinary shares at 1 July	522,304,461	425,278,726
Effect of shares issued	22,205,480	63,509,988
Weighted average number of ordinary shares at 30 June	544,509,941	488,788,714
Earnings per share	**2006 cents**	**2005 cents**
Basic and diluted loss per share	(0.14)	(0.42)

Note 8: Cash and Cash Equivalents

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Bank balances	60,961	344,066	60,961	344,066

Note 9: Trade and Other Receivables

Current				
Other receivables	570,349	94,420	570,349	94,420

Note 10: Consolidated Entities

PARTICULARS IN RELATION TO THE COMPANY AND ITS CONTROLLED ENTITIES

		HOLDING	
		2006	2005
		$	$
Parent Entity:	Austpac Resources N.L.		
Significant Subsidiaries:	Almeth Pty Ltd	100%	100%
	Austpac Technology Pty Ltd	100%	100%

All controlled entities are incorporated in Australia and carry on business in Australia.

Note 11: Property, Plant and Equipment

	CONSOLIDATED			THE COMPANY		
	Plant and equipment	Fixtures and fittings	Total	Plant and equipment	Fixtures and fittings	Total
	$	$	$	$	$	$
Cost						
Balance at 1 July 2004	961,883	–	961,883	961,883	–	961,883
Acquisitions	20,098	–	20,098	20,098	–	20,098
Balance at 30 June 2005	981,981	–	981,981	981,981	–	981,981
Balance at 1 July 2005	981,981	–	981,981	981,981	–	981,981
Acquisitions	–	39,013	39,013	–	39,013	39,013
Balance at 30 June 2006	981,981	39,013	1,020,994	981,981	39,013	1,020,994
Depreciations and impairment losses						
Balance at 1 July 2004	686,119	–	686,119	686,119	–	686,119
Depreciation charge for the year	62,703	–	62,703	62,703	–	62,703
Balance at 30 June 2005	748,822	–	748,822	748,822	–	748,822
Balance at 1 July 2005	748,822		748,822	748,822		748,822
Depreciation and amortisation charge for the year	6,028	4,537	10,565	6,028	4,537	10,565
Balance at 30 June 2006	754,850	4,537	759,387	754,850	4,537	759,387
Carrying amounts						
At 1 July 2004	275,764	–	275,764	275,764	–	275,764
At 30 June 2005	233,159	–	233,159	233,159	–	233,159
At 1 July 2005	233,159	–	233,159	233,159	–	233,159
At 30 June 2006	227,131	34,476	261,607	227,131	34,476	261,607

The consolidated entity leases motor vehicle under finance lease agreements. At 30 June 2006 the net carrying amount of the leased motor vehicles, classified under plant and equipment was $164,589 (2005: $216,078). The leased equipment secures lease obligations (see note 19).

Note 12: Intangible Assets

	CONSOLIDATED			THE COMPANY		
	Mineral Technology Development	Exploration and Evaluation	Total	Mineral Technology Development	Exploration and Evaluation	Total
	$	$	$	$	$	$
Balance at 1 July 2004	3,828,651	624,962	4,453,613	3,828,651	624,962	4,453,613
Expenditure	781,349	(7,414)	773,935	781,349	(7,414)	773,935
Balance at 30 June 2005	4,610,000	617,548	5,227,548	4,610,000	617,548	5,227,548
Balance at 1 July 2005	4,610,000	617,548	5,227,548	4,610,000	617,548	5,227,548
Expenditure	244,586	11,294	255,880	244,586	11,294	255,880
Balance at 30 June 2006	4,854,586	628,842	5,483,428	4,854,586	628,842	5,483,428

Note 13: Trade and Other Payables

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Other trade payables and accrued expenses	269,068	452,137	269,068	452,137

Note 14: Interest Bearing Loans & Borrowings

This note provides information about the contractual terms of the consolidated entity's interest bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rates, see note 23.

Current Liabilities				
Finance lease liabilities	59,542	124,186	59,542	124,186
Non-Current Liabilities				
Finance lease liabilities	105,047	91,892	105,047	91,892

The consolidated entity's lease liabilities are secured by the leased assets of $164,589 (2005: $216,078), as in the event of a default, the assets revert to the lessor.

Note 15: Employee Benefits

Current				
Liability for long service leave	84,645	78,946	84,645	78,946
Liability for annual leave	221,568	202,801	221,568	202,801
	306,213	281,747	306,213	281,747

Note 16: Contributed Equity

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Issued and paid up Capital				
556,254,461 (2005: 493,454,461) ordinary shares fully paid	46,650,954	45,202,955	46,650,954	45,202,955
28,850,000 (2005: 28,850,000) ordinary shares paid to $0.01	288,500	288,500	288,500	288,500
	46,939,454	45,491,455	46,939,454	45,491,455
Movements in Ordinary Share Capital				
Balance at the beginning of the financial year	45,491,455	42,567,480	45,491,455	42,567,480
Shares Issued:				
Placement – Australian investors and Australian institutions – 17,000,000 ordinary shares issued for cash in September 2005	526,999	–	526,999	–
Placement – Australian investors 17,800,000 ordinary shares issued for cash in January 2006	445,000	–	445,000	–
Placement – Australian investors 28,000,000 ordinary shares issued for cash in June 2006	476,000	–	476,000	–
Placement – Australian institutions and local investors – 3,254,285 ordinary shares issued for cash in July 2004 at 3.5 cents each	–	113,900	–	113,900
Shareholder Share Purchase Plan – 42,302,500 ordinary shares issued for cash in September 2004 at 3 cents each	–	1,269,075	–	1,269,075
Placement – Local investors – 30,000,000 ordinary shares issued for cash in November 2004 at 3 cents each	–	900,000	–	900,000
Staff Share Purchase Plan – 5,000,000 ordinary shares issued at 3.1 cents each (paid to 1 cent) in November 2004	–	50,000	–	50,000
Placement – Cornell Capital LP – 3,468,950 ordinary shares issued for cash in April 2005 at 4.67 cents each	–	162,000	–	162,000
Placement – local investors 13,000,000 ordinary shares issued for cash in June 2005 at 3.3 cents each	–	429,000	–	429,000
	46,939,454	45,491,455	46,939,454	45,491,455

Share issues made during the year were to increase the working capital of the Company.

Terms and Conditions

Ordinary Shares

Holders of fully paid ordinary shares are entitled to receive dividends if declared and are entitled to one vote per share at shareholders meetings. There are no partly paid listed shares.

Party Paid Shares

Holders of Austpac Resources N.L. Employee Share Purchase plan shares are entitled to the same rights as ordinary shareholders, including entitlements to dividends if declared, once the shares are paid in full. The amount of unpaid capital is $4,190,364 (2005: $4,190,364). In the event of winding up, ordinary shareholders rank after creditors.

Dividends

No dividends were declared or paid during the financial year ended 30 June 2006.

Note 17: Capital and Reserves

	Share Capital	Accumulated Losses	Total Equity
	$	$	$
Reconciliation of movement in capital and reserves attributable to equity holders of the parent			
Consolidated and company			
Balance at 1 July 2004	42,567,480	(38,480,556)	4,086,924
Total recognised income and expense	–	(2,061,668)	(2,061,668)
Shares Issued	2,923,975	–	2,923,975
Balance at 30 June 2005	45,491,455	(40,542,224)	4,949,231
Balance at 1 July 2005	45,491,455	(40,542,224)	4,949,231
Total recognised income and expense	–	(760,755)	(760,755)
Shares issued	1,447,999	–	1,447,999
Balance at 30 June 2006	46,939,454	(41,302,979)	5,636,475

Note 18: Commitments

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Exploration and evaluation expenditure commitments				
In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity are required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:				
Within one year	150,000	150,000	150,000	150,000

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Note 19: Lease Liabilities				
Lease (Capital – Finance)				
Lease commitments in respect of capitalised finance leases are payable as follows:				
Not later than one year	72,166	137,783	72,166	137,783
Later than one year but not later than five years	115,196	107,300	115,196	107,300
	187,362	245,083	187,362	245,083
Deduct: Future finance charges	22,773	29,005	22,773	29,005
Total lease liability	164,589	216,078	164,589	216,078
The consolidated entity leases equipment under finance leases expiring from one to four years. At the end of the lease term the consolidated entity has the option to purchase the equipment at 40% of cost.				
Operating Leases				
Leases as lessee				
Non-cancelable operating lease rentals are payable as follows:				
Less than one year	96,000	72,000	96,000	72,000
Between one and five years	384,000	72,000	384,000	72,000

During the year ended 30 June 2006, $70,438 was recognised as an expense in the income statement in respect of operating leases (2005: $70,074).

Note 20: Key Management Personnel Disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

Mr T. Cuthbertston (Chairman)

Mr R. Harrison

Executive directors

Mr M. Turbott

Principles of Compensation

The Board remuneration policy is to ensure the remuneration package properly reflects the duties and responsibilities of the director. The Remuneration Committee ascertains non-executive Director remuneration and also staff remuneration which are separate and distinct. Remuneration is set by the Board of Directors and reflects a cost containment programme implemented in 2003 reducing overheads by $400,000 p.a. Reported remuneration is therefore below market for those reported. The Company has a remuneration policy aimed at retention of key technical staff to ensure the progression and commercialisation of the Company's technologies.

Executive Directors are solely remunerated by fixed remuneration packages, including base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to super funds.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 20 November 1997 when shareholders approved an aggregate remuneration of $55,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually.

Each non-executive director either receives a fee for being a director of the company or, if other services are provided, under a consultancy agreement. An additional fee may be payable for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees. At this time there are no such committees, operating or required.

Non-executive directors have long been encouraged by the Board to hold shares in the Company (purchased by the director on market or issued in lieu of fees at a market price). It is considered good governance for directors to have a stake in the company whose board he or she sits. The non-executive directors of the company can participate in the Employee Share Purchase Plan.

Executive director remuneration

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- align the interests of executives with those of shareholders

Remuneration consists of fixed remuneration only.

Fixed Remuneration

Objective

Remuneration is set by the Board of Directors and reflects a cost containment programme implemented in 2003 reducing overheads.

Structure

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to super funds.

Variable Remuneration

There is no variable remuneration.

Employment contracts

Currently no employee is employed under contract.

Key management personnel compensation (consolidated) is as follows:

			Salary & Fees	Super Benefits	Other	Total
			$	$	$	$
Non-Executive Directors	Mr R. Harrison	2006	15,000	–	–	15,000
		2005	15,000	–	–	15,000
Executive Directors	Mr M. Turbott	2006	121,521	12,000	20,700	154,221
		2005	120,935	10,884	4,316	136,135
	Mr T. Cuthbertson	2006	25,000	–	–	25,000
		2005	25,000	–	–	25,000
Total compensation: key management personnel		2006	161,521	12,000	20,700	194,221
		2005	160,935	10,884	4,316	176,135

In addition to the above compensation, Austpac Resources N.L. engaged Mr T. Cuthbertson and Mr R. Harrison for the provision of consultancy services. The terms and conditions of the services are no more favourable than those available, or which might reasonable be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The details of the transactions are as follows:

		Transaction	2006	2005
			$	$
Specified Directors	Mr T. Cuthbertson	Consultancy Fees	15,000	15,000
	Mr R. Harrison	Consultancy Fees	15,000	15,000

K. Turbott (spouse of M. Turbott) provided secretarial services to the company.
The details of the transactions with K. Turbott are as follows:

Specified Directors	Mr M. Turbott	Consultancy Fees	46,666	38,333

Equity Instruments

Movement in shares

The movement during the reporting period in the number of ordinary shares of Austpac Resources N.L. held, directly, indirectly or beneficially, be each key management personnel, including their personally-related entities is as follows:

		2006		2005	
		Held at 1 July	Held at 30 June	Held at 1 July	Held at 30 June
Mr T. Cuthbertson	Fully Paid Ordinary Shares	166,667	166,667	–	166,667
	Partly Paid Ordinary Shares	1,600,000	1,600,000	60,000	1,600,000
Mr M. Turbott	Fully Paid Ordinary Shares	6,800,000	6,800,000	6,633,333	6,800,000
	Partly Paid Ordinary Shares	2,351,118	2,351,118	1,351,118	2,351,118
Mr R. Harrison	Fully Paid Ordinary Shares	–	–	–	–
	Partly Paid Ordinary Shares	500,000	500,000	–	500,000

The above equity holdings include directors' entitlements arising under the Company Employee Share Purchase Plan.

Options and rights over equity instruments granted as compensation

No options were granted to key management personnel since the beginning of the financial year.

Apart from the details disclosed in this note, no other Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Wholly owned group

Details of interests in wholly owned controlled entities are set out in Note 10.

Non Key management personnel disclosures

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 10), and with its directors (see note 20).

Notsag Pty Limited, a company which provides corporate, financial, underwriting and guarantee services, employs Mr N. Gaston and provides his services as Company Secretary. Notsag Pty Limited received fees of $120,000 (2005: $120,000) during the year ended 30 June 2006.

Note 21:
Events Subsequent to the end of the Financial Year

PLACEMENT

Since 30 June 2006, a placement has been made in August 2006 for 15,000,000 fully paid ordinary shares at 2 cents each to raise $300,000 for working capital. On 11 September 2006 Austpac Resources N.L. signed a research agreement with BHP Billiton to continue the ongoing development of the Company's ERMS synthetic rutile technology.

RESEARCH AGREEMENT

On 11 September 2006 Austpac Resources N.L. signed a research agreement with BHP Billiton to continue the ongoing development of the Company's ERMS synthetic rutile technology for the production of high grade synthetic rutile and the direct reduced iron co-product (DRI). Under the agreement, BHP Billiton will provide funds for:

- the commissioning and operation of the equipment designed to prove Austpac's proprietary continuous metallisation process, which is now in the final stages of construction at the Newcastle plant,
- additional modeling of the proprietary continuous leach vessel that will form part of the proposed ERMS SR Demonstration Plant planned for Newcastle,
- a review and update of the capital cost estimate for the Demonstration Plant, and
- an independent concept level cost study to obtain updated capital and operating costs for a commercial scale ERMS SR plant.

The agreed work program will take approximately three months and should be completed in November this year.

The program will enable Austpac to complete essential testing of the metallisation and leaching steps to confirm the final design and layout of the equipment in the Demonstration Plant. It will also prove those two key steps prior to the development of the Demonstration Plant.

On completion of the Research Agreement, BHP Billiton will have a right to acquire an exclusive licence for the ERMS SR technology for TiO2 applications in Africa, and to continue funding the development of the technology, including the Demonstration Plant, through equity participation or otherwise, on terms to be agreed.

Other than as identified above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity in future financial years.

Note 22:
Interest in Joint Venture Operations

Joint Venture percentage interests are indicated in the tenement schedule appearing in the front section of the annual report. All activities relate to mineral sands and mineral technology development. No mineral sands production has occurred during the current financial year.

Expenditure and activity commitments relating to these joint ventures are determined by regular review of joint venture management committees in accordance with the requirements of issuing tenement.

The directors are aware of no substantial contingencies.

No capital expenditure commitments are currently a part of joint venture activity.

Included in the assets and liabilities of the Company and the consolidated entity are the following items which represent the Company's and the consolidated entity's interest in the assets and liabilities employed in the joint ventures.

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Non-Current Assets – intangibles				
Exploration and/or evaluation expenditure	628,842	617,548	628,842	617,548

Note 23: Reconciliation of Cash Flows from Operating Activities

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Loss for the year	(760,755)	(2,061,668)	(760,755)	(2,061,668)
Add/(less) non-cash items:				
Depreciation	10,565	62,703	10,565	62,703
	(750,190)	(1,998,965)	(750,190)	(1,998,965)
Operating loss before changes in working capital and provisions				
(Increase) in receivables	(245,775)	(78,408)	(245,775)	(78,408)
(Decrease)/increase in payables	(158,603)	86,905	(158,603)	86,905
Net cash used in operating activities	(1,154,568)	(1,990,468)	(1,154,568)	(1,990,468)

As at 30 June 2006, proceeds from the issue of shares totalling $230,154 had not yet been received.

Note 24: Financial instruments

Exposure to credit and interest rate risks arise in the normal course of the consolidated entity's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The consolidated entity does not require collateral in respect of financial assets. Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the consolidated entity. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Fair Value of Financial Assets and Liabilities

Financial assets and liabilities are stated at net fair value.

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2006	Fair value 2006	Carrying amount 2005	FairValue 2005
	$	$	$	$
CONSOLIDATED				
Trade and other receivables	570,349	570,349	94,420	94,420
Cash and cash equivalents	60,961	60,961	344,066	344,066
Finance lease liabilities	164,589	164,589	216,078	216,078
Trade and other payables	269,068	269,068	452,137	452,137
THE COMPANY				
Trade and other receivables	570,349	570,349	94,420	94,420
Cash and cash equivalents	60,961	60,961	344,066	344,066
Finance lease liabilities	164,589	164,589	216,078	216,078
Trade and other payables	269,068	269,068	452,137	452,137

Note 24 continued over page

Note 24: Financial instruments *continued*

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Note 25: Explanation of the transition to AIFRSs

As stated in Significant Accounting Policies note (a), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the Significant Accounting Policies section of this report have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of net loss (consolidated and company)

	NOTE	Previous GAAP	Transition to AIFRSs	AIFRSs
		$	$	$
		For the year ended 30 June 2005		
Revenue	3	23,712	(23,712)	–
Expenses				
Administration expenses	(a)	(1,781,750)	(279,306)	(2,061,056)
Other operating expenses		(24,324)	24,324	–
Total Expenses		(1,806,074)	(254,982)	(2,061,056)
Loss before financing costs		(1,782,362)	(278,694)	(2,061,056)
Financing income		–	23,712	23,712
Financing expenses		–	(24,324)	(24,324)
Net financing costs		–	(612)	(612)
Loss after financing costs		(1,782,362)	(279,306)	(2,061,668)
Income tax expense		–	–	–
Net loss for the period attributable to equity holders of the parent		(1,782,362)	(279,306)	(2,061,668)

(a) Research expenditure associated with the ERMS and EARS technologies does not qualify for recognition as an intangible asset under AIFRS. Research expenditure of $279,306 incurred in the year ended 30 June 2005 was capitalised under previous GAAP. Under AIFRS, this amount has been expensed as incurred.

	NOTE	Previous GAAP	Transition to AIFRSs	AIFRSs	Previous GAAP	Transition to AIFRSs	AIFRSs
		$	$	$	$	$	$
			1 July 2004			30 June 2005	
Current Assets							
Cash and cash equivalents		271,692	–	271,692	344,066	–	344,066
Trade and other Receivables		16,012	–	16,012	94,420	–	94,420
Total Current Assets		287,704	–	287,704	438,486	–	438,486
Non-Current Assets							
Property, plant and equipment		275,764	–	275,764	233,159	–	233,159
Intangible assets	(a), (b)	12,339,199	(7,885,586)	4,453,613	13,392,440	(8,164,892)	5,227,548
Total Non-Current Assets		12,614,963	(7,885,586)	4,729,377	13,625,599	(8,164,892)	5,460,707
Total Assets		12,902,667	(7,885,586)	5,017,081	14,064,085	(8,164,892)	5,899,193
Current Liabilities							
Trade and other payables		374,393	–	374,393	452,137	–	452,137
Provisions		280,000	–	280,000	281,747	–	281,747
Interest bearing loans and borrowings		67,454	–	67,454	124,186	–	124,186
Total Current Liabilities		721,847	–	721,847	858,070	–	858,070
Interest bearing loans and borrowings		208,310	–	208,310	91,892	–	91,892
Total Non Current Liabilities		208,310	–	208,310	91,892	–	91,892
Total Liabilities		930,157	–	930,157	949,962	–	949,962
Net Assets		11,972,510	(7,885,586)	4,086,924	13,114,123	(8,164,892)	4,949,231
Shareholders' Equity							
Issued capital		42,567,480	–	42,567,480	45,491,455	–	45,491,455
Accumulated losses		(30,594,970)	(7,885,586)	(38,480,556)	(32,377,332)	(8,164,892)	(40,542,224)
Total Shareholders' Equity		11,972,510	(7,885,586)	4,086,924	13,114,123	(8,164,892)	4,949,231

(a) Intangible assets – mineral technology development expenditure

Research expenditure associated with the ERMS and EARS technologies does not qualify for recognition as an intangible asset under AIFRS.

Research expenditure of $279,306 incurred in the year ended 30 June 2005 was capitalised under previous GAAP. Under AIFRS, this amount has been expensed as incurred.

On transition to AIFRS, the consolidated entity recorded a $8,164,892 write-down of intangible assets comprising capitalised research costs.

(b) Intangible assets disclosures

The consolidated entity has separately disclosed in the notes the financial report 'exploration and evaluation expenditure' and 'intangible asset – mineral technology development expenditure' under AIFRS.

Directors' Declaration

1. In the opinion of the Directors of Austpac Resources N.L.
   a) the financial statements and notes set out on pages 22 to 43 are in accordance with the Corporations Act 2001, including:
      i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
      ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the individuals acting in the role of chief executive officer and chief financial officer functions for the financial year ended 30 June 2006.

Signed in accordance with a resolution of the Directors.

T. Cuthbertson
Director

M.J. Turbott
Director

Sydney, twenty ninth day of September 2006

Scope

THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report comprises the income statements, statements of recognised income and expense, balance sheets, statements of cash flows, accompanying notes 1 to 25 to the financial statements, and the directors' declaration for both Austpac Resources N.L. (the 'Company') and Austpac Resources N.L. and its controlled entities (the 'consolidated entity'), for the year ended 30 June 2006. The consolidated entity comprises both the Company and the entities it controlled during that financial year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDIT APPROACH

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit Opinion

In our opinion, the financial report of Austpac Resources N.L. is in accordance with:

a) the Corporations Act 2001, including:
   i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and
   ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

Going Concern Concept

Without qualification to the opinion expressed above, attention is drawn to the following significant matter:

The financial report has been prepared on a going concern basis as discussed in note 1(c) which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. In note 1(c), the directors state why they consider the going concern basis used in the preparation of the financial report is appropriate. Without the equity raisings and joint venturing or sale of interests held in mineral tenements and projects referred to by the directors, there are uncertainties as to whether the consolidated entity will be able to continue as a going concern.

KPMG

A. Jones
Partner

Sydney, 29 September 2006

Additional Stock Exchange Information

Directors' Interests

The maximum contingent liability of the group for termination benefits under service agreements with directors and persons who take part in the management of the parent entity amount to $nil at 30 June 2006.

Shareholdings

Substantial Shareholders

The number of shares held by the substantial shareholders listed in the holding Company's register as at 11 September 2006 was: Nil.

Class of Shares and Voting Rights

At 11 September 2006 there were 3,692 holders of the ordinary shares of the holding Company. The voting rights attaching to the ordinary shares, set out in Article 32 of the holding Company's Articles of Association, are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares –

a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and

b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he holds."

Offices and Officers

Company Secretary:	Nicholas John Gaston
Principal Registered Office:	Level 3, 62 Pitt Street, Sydney NSW 2000 Telephone: (02) 9252 2599
Location of Registers of Securities:	Link Market Services Limited Securities Registration Services, HSBC Building, 680 George Street, Sydney, NSW 2000

Austpac Resources N.L. is an Australian incorporated listed public no liability Company domiciled in Australia.

Additional Stock Exchange Information

Distribution of Shareholders as at 11 September 2006

	Number of Ordinary Shareholders
1–1,000	149
1,001–5,000	590
5,001–10,000	465
10,001–100,000	1,684
100,001 and over	804
	3,692
Holders of less than a marketable parcel	1,271

The 20 largest shareholders hold 24.32% of the ordinary shares of the holding company.

20 Largest Shareholders as at 11 September 2006

	Number of Ordinary Shares Held	Percentage (%) Held to Issued Capital
Christopher Leech	26,633,125	4.43
Barrios Pty Ltd	15,859,696	2.64
Richard Louden Delaney	12,878,188	2.14
Prestcorp Pty Ltd	11,366,265	1.89
Stephen Harris	7,299,862	1.22
Anthony Prestia	6,950,592	1.16
Wayne Johnston	6,000,002	1.00
Michael Turbott	5,867,785	.98
Graham William Haslam	5,670,575	.94
Maurice Bertram Pears & Judith Lorraine Pears	5,254,202	.87
Minford Pty Limited	4,666,667	.78
Robert Charles Claxton	4,551,611	.76
Rik Deaton	4,526,501	.75
Gary Koh	4,495,349	.75
Kerry & Christine King	4,423,382	.74
Trendepic Pty Ltd	4,010,967	.67
Dr Mark Stephen Thompson	4,000,000	.67
William Leech	3,933,807	.65
Gaymans Pty Limited	3,928,334	.65
Comsec Nominees Pty Limited	3,810,299	.63
	146,127,209	24.32

Corporate Directory

Members of the Board

Mr Terry Cuthbertson *ACA*
Chairman

Mr Michael J. Turbott *BSc (Hons), FAusIMM, MAIG*
Managing Director

Mr Robert J. Harrison *FAICD*
Director

Secretaries

Company Secretary
Mr Nicholas J. Gaston *ACIS*

General Managers

Mr John Winter *BEng (Hons) – Chemical Engineering, MIEAust, MIChemE*
General Manager Technology Development

Mr Michael J. Smith *BSc, MSc, RPGeo, FAIG, MGSA, MASEG*
General Manager Exploration

Auditors

KPMG
The KPMG Centre
10 Shelley Street, King Street Wharf
Sydney, NSW 2000

Solicitors

Gadens Lawyers
77 Castlereagh Street
Sydney, NSW 2000

Share Registry

Link Market Services Limited
Securities Registration Services
680 George Street
Sydney, NSW 2000

Bankers

ANZ Bank
68 Pitt Street
Sydney, NSW 2000

Stock Exchange Listing

Australian Stock Exchange Limited (Melbourne)

Austpac Resources N.L.

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