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QUARTERLY REPORT TO 30 JUNE 2004

HIGHLIGHTS

- A major international group has signed a confidentiality agreement with Austpac prior to undertaking engineering due diligence on the Company's technologies. This will include site visits to the Newcastle pilot plant during the coming quarter and negotiations for funding the proposed 30,000 tpa ERMS SR plant.
- The 2.5 tonnes per hour Low Temperature Roasting plant built by New Zealand Steel at the Glenbrook steel works near Auckland, New Zealand, which was commissioned last quarter, continued to operate through the current quarter until the trial production run was completed at the end of June. Austpac is now discussing ongoing work with New Zealand Steel and other groups have expressed an interest in using the LTR technology.
- Preliminary work for the 30,000 tonnes per annum ERMS Synthetic Rutile plant Bankable Feasibility Study (BFS) commenced. Financing is currently being arranged to upgrade the Newcastle pilot plant to an integrated ERMS SR and EARS plant capable of continuous operation as the first step of the BFS.

NEW ZEALAND LTR PLANT COMPLETES PLANNED PRODUCTION RUN

The 2.5 tonnes per hour Low Temperature Roasting (LTR) plant, built by New Zealand Steel at their Glenbrook steel works near Auckland and incorporating Austpac's LTR process, operated continuously during the past quarter in accordance with the design specifications and at or above design capacity. Operations ceased at the end of June when the trial production run was completed. Approximately 1,500 tonnes of heavy mineral concentrate from the tailings generated by the iron sand mine were processed by the LTR plant, generating large parcels of iron mineral products for assessment. The extended run time, which included operating the equipment at its theoretical limits, has successfully eliminated any process risk associated with the technology. The joint development of operating, training and safety procedures for the LTR plant and the ability to prepare a proven mass and energy balance for the LTR process have further enhanced the value of the technology.

Austpac Resources N.L. is an Australian listed minerals technology company and emerging synthetic rutile producer. Austpac's processes include technology to transform ilmenite into high grade synthetic rutile, a preferred feedstock for titanium dioxide pigment production. They can also be used to beneficiate a range of heavy minerals, as well as process waste chloride streams from a number of industrial operations.

A representative of one group interested in using the LTR process visited the plant during the extended roasting run and was satisfied with the plant's performance. Discussions are underway with a second group which is also interested in using Austpac's now-proven LTR technology, and the Company is confident that the LTR technology is on track for commercialisation.

ERMS SR PLANT - EAST COAST AUSTRALIA

The proposed ERMS SR synthetic rutile plant in Eastern Australia continues to be the highest priority for the Company, and funds are being arranged so that the first stage of the BFS, the upgrade of the Newcastle pilot plant to an integrated ERMS SR and EARS plant capable of continuous operation, can commence during the third quarter.

The memorandum of agreement signed late last year with Consolidated Rutile Limited is being upgraded to a formal ilmenite purchase agreement as part of the BFS for the 30,000 tpa ERMS SR plant. Negotiations for a formal synthetic rutile sales agreement, based on the Memorandum of Agreement signed with Iluka Resources Limited late last year, will commence when the BFS is underway and will be signed when the BFS is completed.

Plans for the upgrade of the Newcastle pilot plant were finalised during the quarter. The objective of the upgrade is to expand its capacity to an integrated ERMS SR and EARS acid regeneration facility capable of treating 400kg per hour of ilmenite. The scale-up factor from the expanded pilot plant to the 30,000 tpa plant will be less than 25:1, which is acceptable and will significantly reduce the project risk. Surplus equipment is being removed from the process tower, and construction of a new fluid bed reduction roaster is underway.

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MURRAY BASIN - E.L. 4521, HORSHAM, VICTORIA

Southern Titanium staff have participated in a field evaluation of the setting of the WIM 150 zircon and titanium resource, and are arranging for the collection of approximately 5 tonnes of the fine grained mineralisation for further processing.

A potential joint venture partner is conducting geochemical and other studies of selected core from the base of drill holes previously completed with E.L. 4521 to assess base metal mineralisation.

CORPORATE DEVELOPMENTS

A placement of 21,428,571 shares to raise \$750,000 was completed during the quarter.

Now that the Company has proven one of its technologies (the LTR process), we believe there are opportunities in the resource industry where we can use our technical skills and know how in fluid bed roasting and chloride chemistry to create new projects for Austpac. Adapting EARS to treat nickel chlorides and using LTR for processing iron sands are two recent examples, and a further objective for management is the generation of additional projects by the end of the year.

NOTE: This report is based on and accurately reflects information compiled by M.J. Turbott who is a member of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists and is a competent person as defined in the Australian Code for Reporting of Identified Mineral Resources and Ore Reserves.

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