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## QUARTERLY REPORT TO 30 SEPTEMBER 2004

### HIGHLIGHTS

- Engineering due diligence on the Company's technologies was completed by a major international group in September 2004, and discussions continue regarding funding for the Bankable Feasibility Study (BFS) and the 30,000 tpa ERMS SR high grade synthetic rutile plant.
- During the quarter, testwork was successfully undertaken at the Newcastle pilot plant for North American and other companies, generating further interest in our technologies and creating additional opportunities for Austpac.
- The upgrade and expansion of the pilot plant commenced in October 2004. This will establish an integrated ERMS SR and EARS plant capable of continuous operation at the rate of 1,500 tonnes per annum. Process information generated during the operation of this plant is an integral part of the BFS for the 30,000 tpa ERMS SR plant.
- The operation of the 2.5 tonnes per hour Low Temperature Roasting plant at New Zealand Steel's Glenbrook steel works near Auckland proved the commercial effectiveness of Austpac's LTR process. Discussions have been initiated with groups who have expressed interest in using the LTR technology.
- The Shareholder Share Purchase Plan was particularly well supported by the smaller shareholders of Austpac, resulting in the placement of 40,952,500 fully paid ordinary Austpac Resources N.L. shares at 3 cents each raising \$1,228,575. These funds, together with additional funds from professional investors, will be used to progress the BFS for the 30,000 tpa ERMS SR, commencing with the pilot plant upgrade.

### ERMS SR PLANT - EAST COAST AUSTRALIA

The Company has commenced the first stage of the Bankable Feasibility Study (BFS) for the 30,000 tpa ERMS SR plant planned for eastern Australia. The sequential elements of this study are the expansion of the Newcastle pilot plant to an integrated unit capable of producing 1,500 tpa of high grade synthetic rutile (so reducing the scale-up risk inherent in any new plant), operation of the plant for sufficient time to confirm the final mass and energy balances for the process

**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.

flowsheet, and the commissioning of an independent engineering group to design and cost the 30,000 tpa plant and prepare the study report to assist project financing.

The upgrade of the Newcastle pilot plant is well underway, and includes the installation of larger fluid bed roasters capable of handling up to 0.5 tonnes of ilmenite per hour, and the installation of Austpac's proprietary continuous leach vessel, together with a complete EARS acid regeneration plant to produce super-strength (25%w/w) hydrochloric acid and iron metal pellets for market assessment.

The Newcastle team will finish the construction and installation of the ilmenite roasting train in December 2004, including the pre-heater, enlarged oxidation roaster, new reduction roaster and modified anaerobic cooler. Quotes are being sought for other elements of the plant to ensure the refurbishment and expansion can be finished as scheduled. The complete pilot plant upgrade is expected to be well advanced by the end of the first quarter of 2005.

Last quarter, a major international group signed a confidentiality agreement with Austpac prior to undertaking engineering due diligence on Austpac's technologies. Site visits to the Newcastle pilot plant have now been completed and the technical review was positive. Discussions regarding assistance with funding for the BFS and the 30,000 tpa ERMS SR plant are progressing.

### **LTR TECHNOLOGY NOW PROVEN**

The continuous operation of the 2.5 tonnes per hour Low Temperature Roasting (LTR) plant at New Zealand Steel's Glenbrook steel works during the production run last quarter eliminated all process risk and Austpac's LTR process is now commercially proven. Discussions are underway regarding the further commercialisation of the LTR process, as we are now in a position to provide process guarantees for any new LTR plant. Additionally, the experience gained by Austpac's engineers during the commissioning and operation of the LTR plant will be invaluable as we design, construct and operate the roasting section of the ERMS SR plant.

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

Southern Titanium has delivered approximately 5 tonnes of fine grained WIM 150 mineralisation to Roche MT in Queensland for specialised processing, with the primary aim of processing the ore to produce a concentrate, and dry mill tests to produce mineral products for external market assessments. Southern Titanium has also been provided with a WHIMS non-magnetic sample from previous Austpac work, which will allow early characterisation of the zircon and high-titanium products quality and yields.

### **CORPORATE DEVELOPMENTS**

The Company's Shareholder Share Purchase Plan, which closed on Wednesday 6 October 2004, was well supported by the smaller shareholders of Austpac, resulting in the placement of 40,952,500 fully paid ordinary Austpac Resources N.L. shares at 3 cents each, raising \$1,228,575. These funds, together with additional funds being provided by professional investors, will be used for the pilot plant upgrade and so progress the BFS for the 30,000 tpa ERMS SR synthetic rutile plant.

*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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