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QUARTERLY REPORT TO 30 JUNE 2003

- **The two new projects initiated last quarter have been significantly progressed, with the announcement today of an agreement for the construction of the first plant to use Austpac's "LTR" low temperature roasting technology, and negotiations at an advanced stage for agreements on ilmenite supply and product sales for a 30,000 tonnes per annum ERMS SR plant.**
- **A new licence has been issued for the use of Austpac's "LTR" low temperature roasting process in a 2.5 tonne per hour plant that will be built by an Australasian company. This is a new industrial application for our LTR technology, indicating that it is developing as a platform technology with broad application and consequent financial reward.**
- **It is anticipated that negotiations for the purchase of ilmenite as feedstock and for the sale of the synthetic rutile from a proposed 30,000 tpa ERMS SR Plant will be concluded in the coming quarter.**
- **Enhancements to the treatment of iron oxide pellets produced by the EARS acid regeneration process, indicate that a valuable co-product can be made along with the high grade synthetic rutile produced in an ERMS SR plant.**
- **Austpac completed a placement of 6,200,000 shares with Australian and international investors to raise \$310,000 for working capital.**

NEW APPLICATION FOR LTR TECHNOLOGY

On 31 July 2003 Austpac announced that it had signed an agreement for the use of our Low Temperature Roasting (LTR) technology in a 2.5 tonnes per hour plant that will be built by an Australasian based company. Austpac is not at liberty to disclose the identity of the company or the location of the plant at this time.

The company has been seeking a technology to enhance the recovery of minerals from mine waste. Austpac's LTR technology involves low temperature fluid bed roasting to selectively enhance the magnetic properties of specific minerals, and was originally developed for ilmenite separation. LTR test work at Austpac's pilot plant in Newcastle has shown that minerals the company is now losing as waste can be recovered and conditioned for use.

The LTR plant comprises a series of fluid bed roasters and magnetic separators. Austpac will be involved in the design, procurement, construction, commissioning and operation of the facility which is expected to be operational by the end of this calendar year.

This is the second time the LTR technology has been licensed and this new industrial application may be of considerable significance for Austpac.

ERMS SYNTHETIC RUTILE PLANT

Negotiations continued during the quarter for the long term supply of ilmenite as feedstock for a 30,000 tpa ERMS SR plant that Austpac has been planning for some time. In parallel, negotiations were advanced for the sale of the high grade ERMS SR that will be produced by this plant. These two contracts, which are expected to be concluded during the coming quarter, are in commercial confidence until finalised, but once in place they will facilitate the financing of the proposed plant.

NEW DEVELOPMENTS FOR AUSTPAC'S TECHNOLOGIES

In addition to test work on mine wastes (see above), Austpac has been actively developing and refining new uses for our technologies to broaden and enhance their applicability. During the quarter we focussed on the fluid bed treatment of iron oxides such as the pellets produced during the regeneration of hydrochloric acid by our EARS Process. While untreated EARS iron oxide pellets can be sold to the cement or steel industries, we have been able to condition the pellets for use in an electric arc furnace. These furnaces are normally fed with scrap iron (currently selling for over \$A200 per tonne), and Austpac's treated EARS pellets are being evaluated as a substitute/additive for scrap iron.

A typical ilmenite generates a tonne of iron oxide for each tonne of synthetic rutile produced. The objective of our work has been to enhance the economics of an ERMS SR plant by creating a valuable iron co-product. In other synthetic rutile processes the iron is discarded as waste black or red mud, giving the ERMS SR process a significant advantage from both an economic and environmental perspective. This new development will be implemented in the proposed 30,000 tpa ERMS SR plant.

INDIA

Austpac maintained contact with a number of groups regarding the application of the ERMS SR process to India's substantial titanium mineral resources, as they are readily amenable to upgrading using our technology. A synthetic rutile complex processing Indian ilmenite remains a long term corporate objective.

BEMAX RESOURCES' POONCARIE PROJECT, MURRAY BASIN

Austpac has licensed BeMaX Resources to use low temperature roasting and magnetic separation techniques, the LTR Process, to reduce the chrome levels in ilmenite from BeMaX's Pooncarie Mineral Sands Project. Ausenco Limited, who has been collaborating with Austpac in the design of the LTR plant, has been nominated by BeMaX as the preferred tenderer to build the mineral separation plant and the ilmenite roaster. BeMaX recently announced that the final project go-ahead is subject only to the finalisation of acceptable financing arrangements, scheduled for completion by December 2003.

GOLD-COPPER EXPLORATION - E.L. 4521, HORSHAM, VICTORIA

Petrology studies were undertaken on selected samples from recent drilling programs. The results have added to the understanding of the geology of the basement rocks in E.L. 4521.

FINE GRAINED MINERALS PROGRAM - E.L. 4521, HORSHAM, VICTORIA

Testwork continued at the Newcastle pilot plant on the agglomeration of fine synthetic rutile.

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.