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QUARTERLY REPORT TO 30 JUNE 1999

HIGHLIGHTS

- The definitive joint venture agreement, covering the construction and operation of the 10,000tpa ERMS synthetic rutile plant proposed for India, is now being finalised and plans are well advanced for the design, construction and commissioning of the plant.
- The company placed nine million shares with GIO Personal Investment Services Limited to raise \$270,000 for working capital. GIO is now Austpac's largest shareholder with 4.7%.
- Testwork aimed at removing chromite from contaminated ilmenite concentrates was successfully completed for several groups during the Quarter, and is ongoing for another group. The ERMS technology is becoming recognised as a solution for chrome-rich ilmenites such as those found in the Murray Basin.
- The Company continued to assess mineral sand opportunities in Australia for acquisition.

ERMS AND EARS TECHNOLOGIES

INDIA

In April 1999 Austpac and Indian Rare Earths Limited (IRE) reached agreement on the commercial parameters which will govern the development and operation of the commercial demonstration ERMS synthetic rutile plant in India. During the quarter negotiations have continued with IRE and the definitive joint venture agreement is expected to be signed in early August, 1999. The proposed plant will be located adjacent to IRE's Orissa Mineral Sands Complex (OSCOM) at Chatrapur in Orissa State. The OSCOM operation will supply the ERMS plant with ilmenite and hydrochloric acid and provide much of the infrastructure required for the plant. The plant will produce 10,000 tpa of high grade synthetic rutile (+96% TiO₂) for the export market.

IRE and Austpac will establish a joint venture company to develop and operate the plant, in which they will have a 26% and 74% interest respectively. Each party will contribute to development costs in proportion to their interest, and Austpac will appoint the Chief Executive to manage that Company. While relevant Government approvals are obtained for the development, bulk sample testing at Austpac's Newcastle pilot plant and engineering design and cost estimation will be undertaken. The parties aim to complete this program during the fourth quarter and construction could commence as early as the first quarter of 2000. With a construction time of 12-15 months, the plant should be in full production by the middle of 2001.

CORPORATE

The Rights Issue which closed on 6 May 1999, raised 43% of the entitlement of \$990,000.

In mid-May, 1999 a placement of 9 million shares was made to GIO Personal Investment Services Limited which raised \$270,000 for working capital. GIO are a longstanding shareholder and have been supportive of management's efforts in commercialising Austpac's technologies. The placement increased GIO's holding in the Company to 4.7%.

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.