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- **Austpac is now moving toward establishing a 30,000 tonnes per annum (tpa) synthetic rutile plant using its ERMS SR Process. In October 2003, Austpac signed an agreement with Consolidated Rutile Limited for the long-term supply of ilmenite to the proposed plant. At the same time the Company also signed an agreement with Iluka Resources Limited for the sale of the synthetic rutile produced by Austpac's synthetic rutile plant. The plant will be located on the East Coast of Australia, and Austpac is commencing a bankable feasibility study.**
- **Austpac has adapted its LTR technology to the steel industry. In July 2003, Austpac signed an agreement with New Zealand Steel Limited for the use of Austpac's Low Temperature Roasting (LTR) technology in a 2.5 tonne per hour LTR test plant to recover iron minerals for use in a steel plant. The test plant will treat tailings from New Zealand Steel's Waikato North Head Mine, and its construction is progressing on schedule for completion in December, and hot commissioning in January 2004.**
- **Austpac completed a placement of 6,028,077 shares with Australian investors to raise \$391,825 for working capital.**

ERMS SYNTHETIC RUTILE PLANT

Austpac has been pursuing commercial arrangements to enable the Company to develop a synthetic rutile plant using its ERMS SR process. Pre-requisites for the planned 30,000 tonnes per annum (tpa) ERMS SR plant are a long term supply of ilmenite feedstock and agreements for the sale of the entire synthetic rutile product.

On 24 October 2003, Austpac announced that it had entered into an agreement with Consolidated Rutile Limited (CRL) for the supply of CRL ilmenite to a proposed 30,000 tpa ERMS SR plant located on the eastern seaboard of Australia. CRL's obligation to supply ilmenite under the Agreement is conditional upon completion of a successful independent bankable feasibility study, Austpac obtaining finance and resolution of ilmenite pricing in accordance with the terms of the Agreement.

The CRL Agreement provides the framework for a long-term contract for the supply of 70,000 tonnes per annum (tpa) of a raw, high-chrome ilmenite concentrate produced by CRL's mineral sand mining operations on North Stradbroke Island.

Previous work at the Company's Newcastle pilot plant has demonstrated that a very high grade synthetic rutile containing more than 97% TiO₂ can be produced from CRL's ilmenite, and Austpac has for some time been seeking a source of ilmenite to feed the first ERMS SR plant. The Agreement ensures the proposed ERMS SR plant has a long term feedstock supply, which is essential for project viability and funding.

Austpac also announced on 24 October 2003 that it had entered into an agreement with Iluka Resources Limited for the sale of synthetic rutile from the proposed ERMS SR plant. Iluka's commitment to purchase the ERMS SR under this second Agreement is subject to completion of a successful independent bankable feasibility study, Austpac obtaining finance, and Iluka and Austpac reaching agreement on the minimum price for the synthetic rutile product.

The Iluka Agreement outlines a long-term commercial arrangement between the two companies, in which Iluka agrees to purchase the output of the ERMS SR plant. This arrangement will include a minimum price commitment by Iluka to be agreed at the conclusion of the bankable feasibility study. Once the conditions to the Agreement are satisfied Iluka will be granted a non-exclusive licence to use the ERMS SR technology to build and construct future ERMS SR plants, subject always to Austpac's participating rights outlined further below.

The Iluka Agreement provides that at the successful conclusion of the bankable feasibility study, Iluka has a 15 day option to acquire a shareholding equal to 10.01% of the expanded capital of Austpac, at a 30% premium to the market price. If Iluka exercises this equity option, Iluka's licence of the ERMS SR Technology will become exclusive, subject to Iluka commencing a bankable feasibility study for an ERMS SR plant of at least 100,000 tpa capacity within twelve months of the successful commissioning of Austpac's 30,000 tpa plant.

If the equity option is not exercised, Iluka's licence of the ERMS SR Technology will only become exclusive if Iluka commences a bankable feasibility study for an ERMS SR plant of at least 100,000 tpa capacity within twelve months of the successful commissioning of Austpac's 30,000 tpa plant.

To maintain exclusivity, Iluka must start construction of that 100,000 tpa ERMS SR plant within two years of commencing their feasibility study, and thereafter build another 100,000 tpa ERMS SR plant every five years. Whether Iluka's licence for ERMS SR technology is exclusive or not, Austpac will have the right to a 10% free carried interest as well as an option to acquire a 20% participating interest in each of the future ERMS SR plants built by Iluka using the ERMS SR Technology.

In addition, for a period of 12 months after the successful commissioning of the ERMS SR Plant, Iluka may negotiate to purchase a controlling interest in the 30,000 tpa plant, and may participate in any expansion of that ERMS SR plant.

The Iluka Agreement also recognises Ticor Limited's existing rights to use the ERMS SR technology.

Iluka produces around 470,000 tonnes of synthetic rutile annually, or about 60% of the world's production. Iluka's synthetic rutile is produced by the Becher process and contains 90-94% TiO₂. With ERMS SR containing >97% TiO₂, the sales contract will give Iluka access to high grade synthetic rutile, which has been identified as a growth area for chloride-route titanium dioxide pigment feedstock. The ERMS SR commercial arrangement between both companies will facilitate the financing of the ERMS SR plant, as will Iluka's expertise as world leader in the synthetic rutile market.

Austpac will now undertake a bankable feasibility study on this project, which will take approximately six months to complete. The implementation of the Agreement with Iluka is conditional on the bankable feasibility study being satisfactory to Austpac and Iluka. A successful outcome for the study will be followed by the financing, detailed design, construction and commissioning phases, with the aim of commencing production in 2005.

Austpac has commenced an exciting new phase of its development and is now moving toward synthetic rutile production. The Company is planning for confirmatory pilot plant trials on a bulk sample of CRL's ilmenite and the selection of potential plant sites is now underway.

LTR PLANT CONSTRUCTION PROGRESSING WELL

Following the announcement last quarter that an agreement had been signed with an Australasian company for the use of Austpac's Low Temperature Roasting (LTR) technology, Austpac announced on 29 September 2003, that the construction of the 2.5 tonnes per hour (tph) test facility was progressing well. The plant will test the suitability of the LTR technology for the treatment of mine tailings from New Zealand Steel's Waikato North Head mine.

The LTR technology involves low temperature fluid bed roasting to selectively enhance the magnetic and other properties of specific minerals. LTR testwork for NZ Steel at Austpac's pilot plant in Newcastle earlier this year showed that some of the iron minerals now being rejected can be recovered and conditioned for use in the steel making process. NZ Steel has not made any commitments beyond the licence for the test plant.

The 2.5 tph LTR test plant, which comprises a series of fluid bed roasters and magnetic separators, is well advanced, with all major equipment items procured and construction scheduled for completion in December 2003. Austpac has been providing ongoing engineering design services and will be involved in the commissioning and initial operations of the facility commencing in January 2004.

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.