

**AUSTPAC RESOURCES NL**

(ASX Code: APG)

**COMPANY UPDATE - September 2001**

**Recommendation: Buy @ \$0.12**

Whilst Austpac and its joint venture partners, Ticor and Indian Rare Earths, continue to progress the AusRutile Joint Venture Project in India towards development, we are encouraged by the higher profile being assigned to the company's Murray Basin mineral sands activities. Several key initiatives have recently been announced, including the commencement of a feasibility study with joint venture partner, Ticor, with respect to the construction of a synthetic rutile plant in the Murray Basin, as well as the scheduled commencement in October of a fully-funded exploration programme that will target coarse-grained mineral sands in the western portion of Exploration Licence 4521, adjacent to the high-profile Douglas Project of Basin Minerals. EL 4521 is jointly held by Austpac and Ticor and contains the very large, fine-grained WIM 150 resource. These initiatives should generate a greater investor appreciation of the company's domestic mineral sands activities.

**CORPORATE DETAILS**

Last Sale Price:	\$0.12
Market Cap:	\$41m
Year High/Low:	\$0.16/\$0.08
Issued Capital:	340m shares
Monthly Turnover:	5.2m shares



**UPDATE ON OPERATIONS:**

➤ **India – progress continues on AusRutile joint venture project**

A final series of continuous plant trials was recently completed for each of the process steps involved in the application of the ERMS and EARS technologies with respect to the AusRutile Project. The partners in the project are Austpac (APG), Ticor (TOR) – each with a 37% stake - and Indian Rare Earths (IRE), which holds a 26% interest.

The company's Newcastle pilot plant has been operated for continuous periods of 36 hours at a throughput rate of one-tenth of the proposed 10,000 tpa plant. An extensive test programme has established operating equilibriums and confirmed process reliability. *We have a high degree of confidence in the company's ability to scale-up the technology to the eventual planned throughput level.*

Engineering studies and cost estimates by Ausenco for the proposed 10,000 tpa plant at Chatrapur in the east Indian state of Orissa, are 95% complete. We anticipate the eventual capital cost to be in the vicinity of US\$10m.

We understand the Environmental Impact Statement is close to being finalized, which removes one of the last major issues before project approval. We anticipate that both state and central government approvals will be received during the current quarter, which would allow project commencement during the fourth quarter of 2001.

The eventual operating plan calls for a +200,000 tpa plant at a capital cost of US\$165m, that will generate forecast annual revenues of US\$100m and pre-tax cashflows of more than US\$50m. The estimated rate of return is robust and expected to be in excess of 30%, whilst project life will be more than 20 years.

- **Murray Basin – joint venture accelerates exploration and development plans**  
APG is currently undertaking testwork on behalf of Murray Basin Titanium, a joint venture comprising Sons of Gwalia and RZM, with each having a 50% stake in the Murray Basin's first producing mineral sands operation at Wemen. A bulk sample of Wemen ilmenite is currently being tested at APG's Newcastle pilot plant, with the aim of demonstrating the ability of its ERMS technology to produce a high-quality TiO<sub>2</sub>, low-chrome ilmenite. This would allow the overall economics of Wemen to be significantly improved, as chromite contamination means Wemen's ilmenite is currently being stockpiled and cannot be turned into a commercially successful ilmenite concentrate. At the moment, only rutile and zircon concentrates are being produced. APG has previously treated similar ilmenites, *and we are confident that the current testwork programme on Wemen ore will be highly successful.*

In a further attempt to stamp its presence in the Murray Basin, APG, in conjunction with its joint venture partner, TOR, has announced a study to assess the feasibility of establishing a synthetic rutile facility. It will investigate potential plant locations, raw material supply options, and government incentives. Given the number of emerging producers in the basin such as Sons of Gwalia, Basin Minerals and BeMax Resources, the attraction of a facility is increasing. Murray Basin ilmenite concentrates typically contain high levels of the impurity known as chromite, which effectively makes the ilmenite worthless, leaving only zircon and rutile as valuable components. *APG's ERMS and EARS processes can remove chromite, allowing the production of saleable ilmenite and a higher-grade synthetic rutile product.*

APG has also announced an exploration joint venture with TOR over its EL 4521 permit, which contains the large, fine-grained WIM 150 deposit. Phase I of the programme will be entirely funded by TOR, with APG as project operator. The venture will concentrate on the discovery of coarse-grained mineral sands within beach strandline deposits on the western portion of APG's licence. Immediately west and adjacent to APG's ground is Basin Minerals' permit that contains the large, high-grade Douglas mineral sands deposit. *Evaluation of existing data has indicated excellent potential for the discovery of strandline deposits in the western portion of the licence.* The four-month programme will commence in October, comprising low-level airborne geophysics, close-spaced drilling, sampling and analysis.

#### **RECOMMENDATION**

We are satisfied with the progress of APG's AusRutile Project in India and are confident that final government approvals will soon be received, allowing development to start on schedule before the end of 2001. We are particularly pleased with the significant increase in activity with respect to the Murray Basin, which is now assuming a much higher profile. The joint venture's decision to look at a proposed treatment plant to deal specifically with the unique treatment requirements of the Murray Basin is a sensible one, given the significant increase in production likely to take place during the current decade. We anticipate a queue of customers wanting to trial APG's technologies in the future. We expect the company's increased level of exploration and development commitment to the Murray Basin will in turn raise the profile of the company in investors' minds, as it opens up a genuine second-front to its worldwide mineral sands strategy. We maintain our valuation range on APG of \$0.40-\$0.45 per share.

*This document is for the confidential use of the recipients only and is not to be reproduced without the authority of Intersuisse Limited. The persons involved in or responsible for the preparation and publication of this report believe that the information herein is accurate but no warranty of accuracy is given. Recommendations are of a general nature and are based on a consideration of the securities alone, and as such are conditional and must not be relied upon without advice from a securities adviser as to the appropriateness to you given your individual investment objectives, financial situation and particular needs. Whilst this document is based on information and assessments that are current at the date of publication, Intersuisse Limited has no obligation to provide revised assessments in the event of changed circumstances. Intersuisse Limited, its directors and associates disclose that they may have a relevant interest in the securities mentioned in this document.*

10<sup>th</sup> September 2001