

31 January 2006

## QUARTERLY REPORT TO 31 DECEMBER 2005

### HIGHLIGHTS

- **During the quarter, construction of Stage One (ilmenite roasters) at the Kooragang Island Demonstration Plant continued and detailed design for Stage Two (leaching and EARS acid regeneration) commenced.**
- **Discussions with a group interested in working with Austpac to commercialise the Company's ERMS SR (synthetic rutile) technology are continuing.**
- **A proposal is expected in the near future from an investment group which will facilitate the completion of the 3,000 tpa ERMS SR Demonstration Plant at Newcastle as well as the feasibility study into and the construction of the proposed 60,000 tpa commercial plant to process ilmenite from the new heavy mineral mines in the Murray Basin.**
- **Exploration Licence 4521, which covers the WIM 150 fine-grained heavy mineral deposit, is being renewed. Australian Zircon N.L., which is earning an interest in WIM 150, continued data review and mineral processing testwork, and intends to undertake a drilling program on the deposit.**
- **While the Company's focus remains the commercialisation of the ERMS SR process, Austpac has identified a gold exploration opportunity and will commence an evaluation of several prospects within an under-explored gold district during the first quarter of 2006.**

### ERMS SR DEMONSTRATION PLANT, NEWCASTLE

During the quarter, construction continued on the ilmenite roasting section (Stage One) of the ERMS SR Demonstration Plant at Newcastle. This section comprises three fluid bed roasters, an afterburner, an anaerobic cooler and the magnetic separators, together with feed and product handling systems. The air purge flow meters and related air systems were installed and a novel ilmenite feeder, capable of feeding wet or dry ilmenite into the pre-heater while maintaining a gas seal, was constructed and successfully tested. A security fence around the site was completed, and a large area immediately north of the process tower was leveled for a concrete slab, which will be used as a receival area for coal and ilmenite during Stage One and for an acid tank farm during Stage Two.

The detailed design, drawings and specifications of the equipment for Stage Two has commenced (the ilmenite leaching and synthetic rutile calcining and the EARS acid regeneration sections), which will allow off-site fabrication, so shortening construction time. The unique hot solids transfer system, an essential component of the iron metallization section,

was successfully modeled to assist detailed design of the EARS section. This section will have an annual production capacity of 3,000 tonnes of high grade synthetic rutile together with 2,000 tonnes of iron pellets. It is planned to operate the plant for 60 days to obtain engineering data for the design of the proposed 60,000 tpa commercial plant, and to produce samples for our product marketing campaign.

## **EXPLORATION LICENCE 4521, HORSHAM, VICTORIA**

During the quarter, Australian Zircon N. L. (AZC) continued a comprehensive review of all data derived from drilling and assaying undertaken on the WIM 150 fine grained heavy mineral resource in the 1980s by Wimmera Industrial Minerals, a subsidiary of Rio Tinto. AZC also processed a WIM 150 heavy mineral concentrate sample through a two-stage wet magnetic separation (WHIMS) circuit to recover an acceptable zircon concentrate and a raw ilmenite stream. AZC intends to undertake drilling within the core zone of WIM 150 to confirm the quality of the older exploration data. Exploration Licence 4521 is now in the final stages of renewal for a further five year term.

## **GOLD EXPLORATION OPPORTUNITY**

While our primary focus remains the commercialisation of the ERMS SR process and related technologies, Austpac has decided to investigate a gold exploration opportunity to fully utilize the Company's resources. The project is located in a gold district which Austpac has monitored over recent years, and builds on goodwill generated some years ago during a visit by Austpac personnel. A number of new discoveries in this region have stimulated the Company's interest, and the evaluation will commence during the first quarter of 2006.

## **CORPORATE MATTERS**

In January 2006, Austpac completed a placement of shares to raise \$445,000 for working capital and to progress the construction of the ERMS SR Demonstration Plant at Newcastle.

During the quarter, Austpac relocated its Sydney head office to Level 3, 62 Pitt Street, Sydney NSW 2000. The new telephone number is (+61 2) 9252 2599, and the facsimile is (+61 2) 9252 8299. The postal address remains unchanged at GPO Box 5297, Sydney NSW 2001.

## **VALE: ERNEST ALLEN WALPOLE**

Austpac lost a valued friend and mentor in Ernie Walpole, who succumbed to cancer on 2<sup>nd</sup> January 2006 aged 81. Ernie, who completed his degree in 1953, was one of the first three Chemical Engineering graduates from the University of Newcastle. After a distinguished 50 year career in the chemicals industry, he joined Austpac in 1988 to work on ilmenite beneficiation. He was the inventor of several technologies critical to the development of Austpac's ERMS SR process. He had a key role in the training of Austpac staff and contributing with them in creating a number of now patented processes. His enthusiasm, experience, and creativity will be missed by the Austpac team, who are dedicated to commercializing the technology that Ernie conceived. A memorial fund is being created at the University of Newcastle to assist students complete the final year of their Chemical Engineering degree and donations toward this fund are welcome. Contact Mike Turbott, Mike Smith or John Winter at Austpac for details.

**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.