

29 April 2005

QUARTERLY REPORT TO 31 MARCH 2005

HIGHLIGHTS

- **A \$3,000,000 equity finance facility has been arranged with United States investment fund, Cornell Capital Partners L.P. The facility allows Austpac to access \$3,000,000 of equity capital over the next five years.**
- **The conversion of the former pilot plant to a fully integrated ERMS SR and EARS demonstration plant continued during the quarter. The continuous operation of the new plant at the rate of 1,500 tonnes per annum (tpa) will provide key data for the detailed design, costing and feasibility study for a 30,000 tpa ERMS SR plant.**
- **Negotiations have continued regarding funding for the first commercial ERMS SR plant producing high grade synthetic rutile.**

ERMS DEMONSTRATION PLANT - NEWCASTLE

Upgrading of the Newcastle pilot facilities to a fully integrated ERMS SR demonstration plant continued during the quarter. The demonstration plant will have a minimum annual capacity of 1,500 tpa of premium quality SR, giving a scale-up of 20:1 to a 30,000 tpa commercial scale plant, which is acceptable to financiers.

The demonstration plant will incorporate all facets of ERMS SR technology, including ilmenite roasting, the proprietary continuous leach system, and an EARS acid plant capable of regenerating spent leach liquor to a super-strength (25%w/w) hydrochloric acid. A considerable quantity of direct reduced iron pellets, "co-product", will be produced and be available for market assessment.

The development team at Newcastle concentrated on the ilmenite roasting section during the quarter. Following installation of the pre-heater and the oxidation roaster last quarter, the new reduction roaster and the innovative anaerobic solids cooler were installed in the process tower. Modelling and design of the emission control equipment was completed to ensure the plant will meet the highest standards during operation. Fabrication of the afterburner and cyclones, to remove any particulate from the stack commenced. Design of the materials handling systems to deliver bulk materials for processing was completed and installation has commenced.

Fluid dynamic modelling of the continuous leach system was completed and provided valuable information for the detailed design. Given the requirement for advanced materials of construction, a specialised project manager was selected, and costing was finalised ready for tenders for construction and installation. The design and specification of the plant electrics was completed along with all instrumentation detail and computer control logic and data capture requirements for the plant.

Critical parts of the walls and roof of the process tower were clad with colour bond sheeting to ensure uninterrupted operations in all weather. A dedicated building for the magnetic separators was completed and the centralised services building was made ready for the installation of the low and high-pressure process air systems and the boiler for process steam. Two prefabricated buildings were positioned in the process tower and connected to services, one for a control room and the other for a motor control centre.

Following completion of the “front end” oxidation and reduction roasting section during the coming quarter, work will commence on leach, calcination and acid regeneration areas.

On April 13, a group of shareholders visited Kooragang Island for a first hand inspection of progress on the demonstration plant. Austpac’s web site www.austpacresources.com contains a review of progress on the demonstration plant. This is updated as construction milestones are achieved.

MURRAY BASIN - E.L. 4521, HORSHAM, VICTORIA

Australian Zircon N.L. has reported its expenditure on processing of WIM 150 ore by Roche MT. The company has fulfilled its obligations for year one of the Horsham Joint Venture. Australian Zircon has recently completed preliminary gravity testwork using a bulk ore sample. Testwork data are currently being modelled allowing the delineation of a suitable primary concentration plant flowsheet. Concentrates from the gravity testwork will be used in the next phase of dry mill testwork, facilitating enhancement of product yields and grade. Analysis of the various zircon products produced during recent scoping tests indicate that the production of commercial quality zircon is viable.

CORPORATE DEVELOPMENTS

A \$3,000,000 equity finance facility has been arranged with United States investment fund, Cornell Capital Partners L.P. The facility allows Austpac to access \$3,000,000 of equity capital over the next five years. The facility was activated in April with a placement of 3,468,950 shares at 4.67 cents to raise \$162,000. Shares issued under this facility in future will be priced at a discount of 2% to the lowest daily volume weighted average price of Austpac Resources N.L. shares traded on each of the ten consecutive trading days which follow a placement request by Austpac. Commission of 5% will be payable at the time of each issue.

Cornell Capital is managed by United States based Yorkville Advisors L.L.C. and has a growing reputation in the United States of America and United Kingdom financial markets for structuring equity participation agreements. To date, the Cornell Group has provided in excess of \$600,000,000 for over fifty publicly quoted corporations.

Austpac’s Senior Process Engineer, John Winter, presented a technical paper on the ERMS SR technology to “Intertech TiO2 2005”, the international titanium dioxide pigments and minerals conference held in France during early March. Austpac M.D. Mike Turbott was Co-Chairman of this major event.

NOTE: This report is based on and accurately reflects information compiled by M.J. Turbott who is a fellow 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.

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.