

## QUARTERLY REPORT TO 30 JUNE 2002

### HIGHLIGHTS

- **Ginkgo testwork continued at the ERMS facility Newcastle funded by BeMaX Resources N.L.**
- **Austpac Resources N.L. and Ticor Limited advanced with negotiations on a new agreement to replace the current world-wide agreement for the use of the ERMS/EARS synthetic rutile process announced in July 2000.**
- **Austpac and Ticor are also renegotiating the AusRutile agreement with Indian Rare Earths Limited (IRE) to cover the feasibility study and possible development of a 100,000 tpa ERMS/EARS facility at Chatrapur. The original agreement, signed in October 2000, envisaged building a 10,000 tpa ERMS/EARS synthetic rutile plant adjacent to IRE's heavy minerals processing facilities near Chatrapur in the state of Orissa, India.**
- **Austpac is currently involved in negotiations with a North American corporation with a view to forming a fully financed joint venture involving the establishment of an ERMS/EARS synthetic rutile plant in conjunction with an international mineral sands development.**
- **Austpac is also involved in negotiations with a major Australian company for an exploration joint venture in the Murray Basin.**
- **Testwork for a European group to reduce chrome levels in an ilmenite concentrate from a large heavy mineral sand deposit is being planned for the next quarter.**

### GINKGO TESTWORK CONTINUES

During the quarter a series of ilmenite concentrates from the Ginkgo deposit in NSW were batch roasted at Austpac's Kooragang Island pilot plant. This objective of this work, which is being undertaken for and funded by BeMaX Resources N.L. on behalf of the BIP Joint Venture, is to maximise chrome removal from Ginkgo secondary ilmenite concentrate and develop the most cost efficient design for the separation plant.

The batch testwork was conducted to establish the conditions that gave the optimal titanium recovery at a market-driven chrome cut-off. BeMaX's preferred coal was used as the fuel for these batch roasts. The results have been used to establish the roast regime for the definitive continuous roasting trial planned for August 2002. A 1.5 tonne representative sample of ilmenite concentrate from Ginkgo has been prepared by Roche Mining (MT) and delivered to Austpac's Newcastle pilot plant. Modifications and additions to the roasting equipment are nearing completion in readiness for this trial.

The definitive roasting trial run will determine the specific operating conditions essential for final plant design. During the trial, roaster off-gas will be continuously monitored to collect data necessary to confirm that the plant will meet the air quality requirements, as described in the development consent for the mineral separation plant.

Austpac is participating in a consortium led by Ausenco Limited, which is providing the detailed engineering design and will provide the commissioning support and performance guarantees for the roasting and magnetic separation plant. The data from the continuous roasting trial will enable Ausenco to complete the roaster equipment selection, layout and design, and operating and capital costs.

### **RE-NEGOTIATION OF TICOR AGREEMENT**

Further to the announcement by Austpac on 12 July 2002, negotiations between the Company and Ticor Limited continue to advance in respect of new arrangements to replace the current world-wide agreement for the use of the ERMS/EARS synthetic rutile process. Details of these new arrangements will be released upon the execution of the agreements, which is expected shortly.

### **AUSRUTILE PROJECT, INDIA**

Austpac and Ticor are also renegotiating the AusRutile agreement with Indian Rare Earths Limited (IRE) that was signed in October 2000. The original AusRutile agreement envisaged building a 10,000 tpa ERMS/EARS synthetic rutile adjacent to IRE's Chatrapur heavy mineral processing facilities in Orissa.

The Austpac-Ticor Joint Venture has expended more than \$2.5 million on pilot plant test programs, engineering feasibility and assessment work on the AusRutile Project. The proposed new AusRutile agreement will cover the feasibility study and possible development of a 100,000 tonnes per year synthetic rutile facility, which would incorporate Austpac's proprietary ERMS/EARS technology. The plant would process ilmenite produced from the very large high grade heavy mineral sand deposit at Chatrapur.

### **NEW PROJECTS - INTERNATIONAL**

Austpac recently informed the market of negotiations with a North American corporation in relation to a new joint venture involving the establishment of an ERMS/EARS synthetic rutile plant adjacent to an international mineral sand development. The joint venture will be fully financed and the mineral sand project has the potential to support a major synthetic rutile facility.

The final terms of the agreement will be announced as soon as these negotiations are completed, as they are subject to confidentiality undertakings.

### **MURRAY BASIN - VICTORIA**

E.L. 4521 in the Victoria portion of the Murray Basin covers the very large, WIM 150 heavy mineral deposit. Austpac has focussed on the beneficiation of the fine grained minerals and during the quarter a heavy mineral concentrate was prepared at Roche Mining's facilities at Carrara in Queensland. The concentrate was produced using fine spirals, tables and WHIMS and recoveries were commercially acceptable. An ilmenite sample was then processed at the Newcastle pilot plant, and a good synthetic rutile containing >95% TiO<sub>2</sub> was produced. Testwork continues with a view to optimising the treatment of WIM 150 material.

During May 2002 Ticor funded a short drilling program to follow up a possible narrow coarse grained strand line in the western part of E.L. 4521. Austpac and Ticor are now satisfied there is no possibility of a commercial discovery of coarse grained minerals within E.L. 4521.

Austpac is negotiating with a major Australian company with respect to a new exploration joint venture in the Murray Basin. Details will be released once the agreement is signed, which is expected in August 2002.

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.