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QUARTERLY REPORT TO 30 SEPTEMBER 2002

- **Austpac Resources N.L. and Ticor Limited signed a non-exclusive Technology Licence and Permitted Project Exploitation Agreement to replace the July 2000 agreement for the exclusive world-wide use of the ERMS/EARS synthetic rutile process.**
- **A second agreement was also signed with Ticor to cover the ongoing Austpac-Ticor relationship in the AusRutile Project in Orissa, India. The AusRutile Project is being progressed through a joint venture between Austpac, Ticor and the Indian Government's mineral sands arm, Indian Rare Earths Limited (IRE).**
- **Austpac has initiated discussions with other parties with a view to developing an ERMS SR plant with an annual capacity of around 30,000 tpa. These opportunities are the main focus for the Company during the coming quarter.**
- **Newcrest Operations Limited is funding exploration for copper and gold within Exploration Licence 4521 immediately south of Horsham in western Victoria, which Austpac has been evaluating for heavy minerals. The exploration program targets volcanic complexes in the basement rocks beneath the shallow sedimentary cover, which hosts both coarse and fine grained heavy mineral deposits.**

AGREEMENT WITH TICOR LIMITED

In September 2002, Austpac and Ticor signed a non-exclusive Technology Licence and Permitted Project Exploitation Agreement to replace the July 2000 agreement for the exclusive world-wide use of the ERMS/EARS synthetic rutile process (the ERMS SR Process). The new technology licence with Ticor covers "permitted projects", which are defined as new projects that use the ERMS SR Process and are initiated in the future by Ticor anywhere in the world.

In return for the licence to use the technology on each Permitted Project, Ticor will fund all project expenditure until the completion of a bankable feasibility study. At the time that Ticor commits to development of a permitted project, Austpac will be offered a 10% carried interest and the option to contribute to a further 20% interest in Ticor's share of the project. This will give the Company the opportunity to participate in any of Ticor's future synthetic rutile projects that use the ERMS SR Process.

ERMS SYNTHETIC RUTILE PLANT - NEW OPPORTUNITIES

Austpac is progressing discussions with other parties with a view to developing an ERMS synthetic rutile plant with an annual capacity of around 30,000 tpa. A plant of this size will establish the market for high grade synthetic rutile, and demonstrate the technology at a commercial scale, thereby underpinning the financing of a large scale project of at least 100,000 tpa capacity. We are examining new opportunities in

Australia, India and several other countries and, while our discussions are subject to confidentiality, during the coming quarter we aim to advance those that can be developed in the nearer term.

AUSRUTILE PROJECT, INDIA

In September 2002, Austpac and Ticor entered into a new agreement for the AusRutile project, whereby Austpac is no longer liable for past expenditure, and Ticor will fund all ongoing expenditures. In the event that a decision is made to proceed with project construction, Austpac will retain a 7.4% commercial interest and have the option to contribute to an additional 14.8% interest in the AusRutile project. Austpac looks forward to continued involvement in the AusRutile project under these new arrangements.

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

Approvals have been obtained from the Victorian Government and from local authorities for Newcrest to drill approximately 100 holes into the basement to assess magnetic and gravity targets which probably represent intrusive and extrusive volcanic complexes. These volcanics have the potential to host large porphyry-style gold-copper deposits similar to those being mined by Newcrest at Cadia-Ridgeway in NSW. Drilling will commence in December 2002. The new Horsham Joint Venture provides for Newcrest to sole fund all work through to a decision to construct a mine. Austpac will then hold a 10% contributing interest in any resulting mine, or may elect to revert to a 2% Net Smelter Return on production of gold and/or copper.

Ticor Limited has withdrawn from E.L. 4521 and E.L.A. 4532, which are now held 100% by Austpac.

Metallurgical testwork on WIM 150 ore is continuing at Austpac's pilot plant at Kooragang Island.

CHROME REMOVAL FROM GINKGO RESOURCE, NSW

Austpac has conducted an extensive program of testwork for BeMaX Resources N.L. to reduce chrome in ilmenite concentrates from the large Ginkgo heavy mineral deposit in the Pooncarie area of the Murray Basin. A large sample of Ginkgo ilmenite containing more than 1.2% Cr₂O₃ was evaluated using continuous low temperature fluid bed roasting. Magnetic separation of the roasted ilmenite successfully reduced the less magnetic chrome-bearing minerals, and produced a commercially attractive final ilmenite product with a recovery of over 90%. Further testwork is being undertaken during October-November 2002 to complete the optimisation of the final plant design, the objectives of which are to produce an ilmenite concentrate containing less than 0.3% Cr₂O₃ and to assess the suitability of a range of coal fuels for the roasting plant.

BeMaX plans to incorporate Austpac's roasting process into the ilmenite circuit of its mineral separation plant in the Murray Basin. In April 2002, Austpac and BeMaX reached agreement on the commercial terms for the use of Austpac's ilmenite roasting technology to produce a high TiO₂, low chrome ilmenite from Ginkgo concentrate. This is the first commercial agreement for the use of the ERMS roast, and while the terms are confidential, it is beneficial for both Austpac and BeMaX.

SYNTHETIC RUTILE IN THE MURRAY BASIN

Austpac has held discussions with several companies with resources in the Basin with a view to synthetic rutile production. The establishment of a commercial synthetic rutile complex requires the availability of feedstock, and this cannot occur until large scale, long term mining operations are established in the region.

Austpac is participating in the steering committee of the Victorian Mineral Sands Action Plan. This group will determine the strategies and actions required by the Government to assist the establishment of a sustainable mineral sands industry in Victoria. Austpac believes its technologies will play an important role in these developments, from both economic and environmental standpoints in comparison with other synthetic rutile processes.

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.