Financial Statements

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DIRECTORS' REPORT

The directors of Austpac Resources N.L., ('the Company') A.C.N. 002 264 057, present their report together with the financial report of the Company and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2000 and the auditors' report thereon.

The Company was incorporated as Absolajur N.L. on 12 October 1981 and changed its name to Austpac Resources N.L. on 22 May 1985, to Austpac Gold N.L. on 17 March 1986 and finally back to Austpac Resources N.L. on 20 November 1997.

DIRECTORS

The directors of the Company at any time during or since the financial year are:

- **Alfred L. Paton** B.Eng, FAIM, MIE, M.AusIMM, FAICD
  Chairman
  Age 77
  Mr Paton is currently the Chairman of Centennial Coal Company Limited, Oldfield Holdings Limited, Aurion Energy Limited and is also a Director of CARE Australia. Mr Paton has an engineering background and has over 50 years' experience in business including the mining industry. From 1987 to 1990 he was the Managing Director of Placer Pacific Limited and Kidston Gold Mines Limited, and was Chairman of these companies from 1990 to 1994, when he also retired as a Director of Placer Dome Inc. Canada. Mr Paton has been Chairman of Austpac Resources N.L. since November 1997.

- **Michael Turbott** BSc (Hons), FAIMM
  Managing Director
  Age 56
  Mr. Turbott was formerly a Director and Vice President of Kennecott Explorations (Australia) Ltd., and was in charge of the exploration programs that led to the discovery of the major Lihir and Simberi gold deposits in Papua New Guinea. He was also Chairman of the Denham Coal Associates joint venture, and a Director of Denham Coal Mangement Ltd, the management company charged with the development of the Gordonstone coal deposits in the Bowen Basin, Queensland. He was a member of the Executive Committee of the Australian Mining Industry Council and his 29 years' experience in the mining industry has encompassed a wide variety of exploration and development projects in Australia, New Zealand, Papua New Guinea, Indonesia, Philippines, Canada and the USA. Mr. Turbott has been a Director of Austpac Resources N.L. since 1985.

- **Harold H. Hines** FAIMM
  Age 71
  Mr. Harold Hines is the Managing Director of International Mineral Developments Pty Limited. Mr. Hines has 50 years' experience in operations, development, management and consulting in and for the mineral sands and alluvial mining industry. Since 1988, he has provided mine planning, construction and commissioning for significant major projects in India, New Zealand, Indonesia, USA and Australia. Mr. Hines has been a Director of Austpac Resources N.L. since April 1996.

DIRECTORS' INTERESTS AND BENEFITS

The relevant interest of each director in the share capital of the Company at the date of the report and as notified by the directors to the Australian Stock Exchange in accordance with Section 205G(1) of the Corporations Law was:

	Ordinary Shares	
	Direct	Indirect
Alfred L. Paton	–	2,612,500
Michael J. Turbott	3,500,000	4,306,833
Harold Hines	926,834	–

In accordance with the Company's articles of association Mr. A. Paton and Mr. H. Hines retire from the Board of Directors and being eligible, offer themselves for re-election.

DIRECTORS' MEETINGS

Fourteen directors' meetings were held during the 2000 financial year. The number of directors' meetings attended by each of the directors of the Company during the 2000 financial year were: A.L. Paton – 14; M.J. Turbott – 14; H. Hines – 14.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity is the development of mineral processing technology and exploration and development of mineral sands deposits.

REVIEW AND RESULTS OF OPERATIONS

A review of the operations of the consolidated entity for the year and the results of those operations are contained in the section entitled *Directors' Report on Technology and Mineral Sands* commencing in the front section of this Annual Report.

DIVIDENDS

The directors recommend the payment of no dividends.

STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review other than the Austpac TICOR Joint Venture signed in June 2000.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In August 2000 the company placed 10,000,000 fully paid ordinary shares at 15 cents each to raise $1,500,000 for working capital. In July 2000 Austpac Resources N.L. and Ticor Limited announced that they had formed a 50/50 joint venture for the global development of Austpac's ERMS and EARS technologies for upgrading titaniferous feedstock. The joint venture will participate in the AusRutile Joint Venture which was formed in August 1999 by Austpac and Indian Rare Earths Limited (IRE) to develop ERMS synthetic rutile plants in India. A joint venture company, AusRutile India Private Limited (AusRutile) has been formed to manage the Indian operations. Austpac and Ticor will each directly hold a 37% shareholding in AusRutile and IRE will hold the balance of 26%. Ticor's participation in the project is subject to the formal approval of IRE and relevant Indian authorities.

The AusRutile project will commence with the construction of an initial plant of at least 10,000 tonnes per year of synthetic rutile adjacent to IRE's mineral sand operations at OSCOM in Orissa State.

The Joint Venture provides for a series of payments to Austpac totalling $3 million based on agreed milestones being achieved. In addition, loan funds for Austpac's share of the initial synthetic rutile plant in India will be provided by Ticor.

Once the initial plant is operating at design capacity it is envisaged that a full commercial scale plant will be built. If requested by Austpac, Ticor will also provide loan funds for Austpac's share of the development costs of this plant. The resource at OSCOM is sufficient to support a plant producing over 200,000 tonnes per year of synthetic rutile.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results for those operations or the state of the affairs of the consolidated entity in subsequent financial years.

LIKELY DEVELOPMENTS

This item has been covered in the section described as *Directors' Report on Technology and Mineral Sands* commencing in the front section of this Annual Report.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its technology development.

The directors are not aware of any breach during the period covered by this report.

DIRECTORS' REPORT

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The broad remuneration policy is to ensure the remuneration package properly reflects the duties and responsibilities of the director. Details of the nature and amount of each major element of the emoluments of each director of the company are:

	Base $	Non Cash Benefits $	Super $	Total $
Mr M.J. Turbott	71,500	18,000	9,000	98,500
Mr A.L. Paton	17,500	–	–	17,500
Mr H.H. Hines	12,500	–	–	12,500

The Company is managed by the Managing Director, supported by the Board of Directors. It does not retain a senior executive layer.

OPTIONS

During or since the end of the financial year no options have been granted by the company.

INDEMNIFICATION AND INSURANCE

The Company has arranged a Directors' and Officers' insurance against liability which may arise from holding the position of Director or Officer.

Signed at Sydney this twenty fifth day of September 2000 in accordance with a resolution of the Board of Directors of Austpac Resources N.L.

A.L. Paton
Chairman

M.J. Turbott
Managing Director

PROFIT AND LOSS STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

	Note	CONSOLIDATED 2000 $	CONSOLIDATED 1999 $	THE COMPANY 2000 $	THE COMPANY 1999 $
Revenue	2	4,080	84,327	4,080	84,327
Operating loss before abnormal items and income tax	3	1,109,098	858,204	1,109,098	809,884
Abnormal items	3	–	(2,618,559)	–	(2,570,239)
Operating (profit)/loss before income tax		1,109,098	(1,760,355)	1,109,098	(1,760,355)
Income tax attributable to operating (profit)/loss	4	–	–	–	–
Operating (profit)/loss after income tax		1,109,098	(1,760,355)	1,109,098	(1,760,355)
Accumulated losses at the beginning of the financial year		24,682,665	26,443,020	24,682,665	26,443,020
Accumulated losses at the end of the financial year		25,791,763	24,682,665	25,791,763	24,682,665

The profit and loss statements are to be read in conjunction with the notes to the financial statements set out on pages 17 to 28.

BALANCE SHEETS
AS AT 30 JUNE 2000

	Note	CONSOLIDATED 2000 $	CONSOLIDATED 1999 $	THE COMPANY 2000 $	THE COMPANY 1999 $
Current Assets					
Cash		163,119	64,369	121,911	54,358
Receivables	5	27,183	129,141	27,183	–
Total Current Assets		190,302	193,510	149,094	54,358
Non-Current Assets					
Investments	6	–	–	6,616,478	6,616,478
Plant and Equipment	7	217,866	310,380	247,080	306,483
Other	8	11,370,585	10,709,680	10,572,839	9,850,345
Total Non-Current Assets		11,588,451	11,020,060	17,436,397	16,773,306
Total Assets		11,778,753	11,213,570	17,585,491	16,827,664
Current Liabilities					
Accounts Payable	9	291,800	578,636	290,994	391,786
Provisions	10	954,635	921,553	6,762,179	6,722,497
Total Current Liabilities		1,246,435	1,500,189	7,053,173	7,114,283
Non-Current Liabilities					
Accounts Payable	9	140,786	210,751	140,786	210,751
Total Non-Current Liabilities		140,786	210,751	140,786	210,751
Total Liabilities		1,387,221	1,710,940	7,193,959	7,325,034
Net Assets		10,391,532	9,502,630	10,391,532	9,502,630
Shareholders' Equity					
Share Capital	11	36,183,295	34,185,295	36,183,295	34,185,295
Accumulated Losses		(25,791,763)	(24,682,665)	(25,791,763)	(24,682,665)
Total Shareholders' Equity		10,391,532	9,502,630	10,391,532	9,502,630

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 17 to 28.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2000

	CONSOLIDATED		THE COMPANY	
	2000 $	1999 $	2000 $	1999 $
Cash Flows from Operating Activities–				
Cash receipts in the course of operations	–	83,766	–	83,766
Interest Received	4,080	561	4,080	561
Cash payments in the course of operations	(1,122,946)	(535,102)	(1,092,554)	(825,023)
Interest Paid	(17,146)	(15,534)	(17,146)	(15,534)
Net cash used in operating activities (Note 20)	(1,136,012)	(466,309)	(1,105,620)	(756,230)
Cash Flows from Investing Activities				
Payment for property, plant and equipment	(4,441)	(825)	(4,441)	(825)
Payments for:				
Mineral Technology Development Expenditure and Exploration Expenditure	(660,905)	(760,662)	(516,732)	(432,394)
Investment in controlled entities	–	(6,616,478)	–	(6,616,478)
Net cash used in investing activities	(665,346)	(7,377,965)	(521,173)	(7,049,697)
Cash Flows from Financing Activities				
Proceeds from issue of shares	1,943,000	1,300,907	1,943,000	1,300,907
Lease payments	(42,892)	(39,270)	(42,892)	(39,270)
Loan to controlled entity	–	–	(205,762)	–
Net cash provided by financing activities	1,900,108	1,261,637	1,694,346	1,261,637
Net increase/(decrease) in cash held	98,750	(6,582,637)	67,553	(6,544,290)
Cash at the beginning of the financial year (Note 20)	64,369	6,647,006	54,358	6,598,648
Cash at the end of the financial year (Note 20)	163,119	64,369	121,911	54,358

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 17 to 28.

FOR THE YEAR ENDED 30 JUNE 2000

NOTE 1:

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been drawn up in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values nor current valuations of non-current assets. The accounting policies have been consistently applied by each entity of the consolidated entity and are consistent with those of the previous year.

(b) Principles of Consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity and its controlled entities ('the consolidated entity'). Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The balances and effects of transactions between controlled entities in the consolidated financial statements have been eliminated.

(c) Going Concern

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The directors believe that the company will be able to fund future operations through share issues, the successful commercialisation of mineral technologies and the joint venturing of interests held in mineral projects.

(d) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies are translated at the rates of exchange ruling at balance date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the profit and loss statement in the financial year in which the exchange rates change as exchange gains or losses. Those controlled entities whose financial reports are presented in foreign currencies and whose operations are considered to be integrated with the Company are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on transactions are brought to account in the profit and loss statement.

(e) Non-Current Assets

The carrying amounts of all non-current assets, excluding exploration and evaluation expenditure, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(f) Receivables

Other debtors to be settled within 60 days are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. The carrying amount of trade debtors approximates net fair value.

(g) Income Tax

The liability method of tax effect accounting is applied throughout the consolidated entity. Under this method the income tax expense for the year is related to operating loss before tax after allowing for permanently non-allowable and non-assessable items.

(h) Investments

Controlled Entities:

Investments in controlled entities are valued in the Company's financial statements at the lower of cost and recoverable amount. Provision is made for any temporary diminution in the value of the investment in related corporations having regard to the underlying net assets of the controlled entity at balance date.

(i) Property, Plant and Equipment

Plant and Equipment:

Plant and Equipment is capitalised at historical cost and depreciated at rates based on their estimated useful lives using the straight line method of depreciation, commencing in the year of acquisition. The depreciation and amortisation rates used for each class of asset are as follows: Plant and equipment 15%; Leased plant and equipment and motor vehicles 10%.

Leased Assets:

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the economic entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the profit and loss account.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(j) Exploration and Evaluation Expenditure

Exploration and evaluation costs are accumulated in respect of each separate area of interest. Such costs are carried forward where they are expected to be recouped through successful development and exploitation of the area of interest; or where activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

The ultimate recoupment of costs related to areas of interest in the exploration and/or evaluation phase is dependent on the successful development and commercial exploitation or sale of the relevant areas. Each area of interest is reviewed annually to determine whether costs should continue to be carried forward in respect of that area of interest. Where it is decided to abandon an area of interest, costs carried forward in respect of that area are written off in full in the year in which the decision is taken.

The anticipated cost of restoration is provided for as part of exploration and evaluation programmes undertaken by the Company.

(k) Technology Expenditure

Mineral technology development expenditures are capitalised. On the basis that these technologies are in the commercialisation phase and are intended to be applied to mineral sands projects in the future, such costs are expected to be recoverable beyond reasonable doubt. Licences for the use of ERMS and EARS technologies by other companies have been negotiated by Austpac.

(l) Provisions

Wages, Salaries, Annual Leave and Sick Leave:

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and includes related on-costs.

Long Service Leave:

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the economic entity's experience with staff departures. Related on-costs have also been included in the liability.

(m) Superannuation Fund

The Company and its controlled entities contribute to an employee superannuation fund to match contributions to the fund made by employees. Such group contributions are charged against income as they are made. Further information is set out in Note 13.

(n) Joint Ventures

The consolidated entity's interest in unincorporated joint ventures is brought to account by including in the respective balance sheet and profit and loss classes the amount of:

- the consolidated entity's interest in each of the individual assets employed in the joint ventures;
- the consolidated entity's interest in the expenses incurred in relation to the joint ventures; and
- liabilities incurred by the consolidated entity in relation to the joint ventures and the liabilities for which it is jointly and/or severally liable.

(o) Hedging Risks/Derivatives

The consolidated entity is exposed to changes in interest rates and commodity prices from its activities. The consolidated entity does not hedge these risks.

(p) Financing Arrangements

At the time of this report there existed no overdrafts in the Austpac Resources group.

(q) Revenue Recognition

Licence Fees – Technology

Licence fees are recognised at the time of receipt. The licences signed with Iscor are payable upon the commencement and commissioning of a new project development in South Africa.

Other

Interest income is recognised as it accrues.

(r) Cash, short term deposits and bank overdrafts

Cash, short term deposits and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amounts of cash, short-term deposits and bank overdrafts approximate net fair value. Interest revenue is accrued at the market or contracted rates and is receivable quarterly.

(s) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled within 60 days.

NOTE 2: REVENUE

	CONSOLIDATED		THE COMPANY	
	2000 $	1999 $	2000 $	1999 $
REVENUE FROM OPERATING ACTIVITIES:				
– Interest received or due and receivable from:				
Other corporations	4,080	561	4,080	561
– Licence Fees – Technology	–	83,766	–	83,766
	4,080	84,327	4,080	84,327

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: OPERATING (PROFIT)/LOSS

	CONSOLIDATED		THE COMPANY	
	2000 $	1999 $	2000 $	1999 $
Operating (profit)/loss before abnormal items and income tax has been arrived at after charging/(crediting) the following items:				
Finance charges on capitalised leases	17,146	15,534	17,146	15,534
Amortisation of:				
Leased assets capitalised	42,892	39,270	42,892	39,270
Depreciation of plant and equipment	54,063	41,051	20,952	24,024
Lease rental expense:				
Operating leases	53,528	37,987	53,528	37,987
Remuneration of auditors:				
Amounts received or due and receivable for audit services by:				
Auditors of the parent entity	25,000	25,000	25,000	25,000
Auditors of other group entities	15,000	15,000	–	–
Exploration expenditure written off	–	–	–	–
Net expense including movements in provision for:				
Guarantee of debts of controlled entities	–	–	39,682	–
Other	33,082	–	–	–
ABNORMAL ITEMS (No tax effect on abnormal items)				
Provision for guarantee of debts of controlled entities	–	–	–	2,603,807
Reversal of provision for exercise of ERMS syndicate put option	–	(5,198,012)	–	(5,198,012)
Exploration expenditure written off	–	2,579,453	–	23,966
	–	(2,618,559)	–	(2,570,239)

The consolidated entity held a put option agreement with B.T. Financial Management Pty Limited and Arrow Resources Management Pty Limited (a controlled entity of Rothschild Australia Limited). The option was exercised in 1999 and the consolidated entity subsequently purchased all of the shares in Almeth Pty Limited. Accordingly the provision for exercise of the ERMS syndication option was no longer required and was reversed as an abnormal item.

NOTE 4: TAXATION

Income Tax Expense

Prima facie income tax (benefit)/expense calculated at 36% on the operating (loss)/profit	(399,275)	633,727	(399,275)	633,727
Increase/(decrease) in income tax expense/benefit due to non tax deductible items:				
Non-allowable/(assessable) items	–	(1,562,330)	–	(642,354)
Losses not brought to account as a Future Income Tax Benefit	399,275	928,603	399,275	8,627
Income tax expense/(benefit) on operating loss	–	–	–	–

Future Income Tax Benefit Not Brought to Account

Future income tax benefits arising from tax losses and timing differences have not been recognised as an asset because recovery is not virtually certain. The value of any benefit that may arise is indeterminable as these amounts relate to exploration expenditure in foreign tax jurisdictions.

NOTE 4: TAXATION continued

The future income tax benefit which has not been recognised as an asset will only be obtained if:

(i) the relevant company and/or the group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the relevant company and/or the group continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant company and/or group in realising the benefit.

Dividend Franking Account

The consolidated entity does not have any available dividend franking credits.

NOTE 5: RECEIVABLES

	CONSOLIDATED		THE COMPANY	
	2000 $	1999 $	2000 $	1999 $
Current				
Other debtors (net of provision for doubtful debts – nil)	27,183	129,141	27,183	–

The effective weighted average interest rate for receivables is Nil (1999: Nil)

NOTE 6: INVESTMENTS

Shares in controlled entities (unquoted) at cost	–	–	6,631,528	6,631,528
Less provision for diminution in value of investment in controlled entities	–	–	15,050	15,050
	–	–	6,616,478	6,616,478

Particulars in relation to the Company and its controlled entities

Name	Class of Share	Holding 2000 %	Holding 1999 %
The Company			
Austpac Resources N.L.		–	–
Controlled Entities			
Auspac Bolivia S.R.L.	Ord	100%	100%
Austpac Technology Pty Ltd	Ord	100%	100%
Austpac Gold New Zealand Ltd	Ord	100%	100%
Austpac Gold Exploration (N.Z.) Ltd	Ord	100%	100%
Almeth Pty Ltd	Ord	100%	100%
Controlled Entities of Austpac Gold New Zealand Ltd			
Austpac Titanium (N.Z.) Ltd	Ord	100%	100%

Auspac Bolivia S.R.L. was incorporated in Bolivia and carries on business in Bolivia. This Company is no longer required and is currently being wound up.

Austpac Technology Pty Limited was incorporated in Australia and carries on business in Australia.

Austpac Gold New Zealand Limited and Austpac Gold Exploration (N.Z.) Limited and Austpac Titanium (N.Z.) Limited were incorporated in New Zealand and carry on business in New Zealand. These companies are no longer required and are currently being wound up.

Almeth Pty Limited was incorporated in the ACT and carried on business in Australia. Almeth was acquired by Austpac Resources N.L. from Rothschilds in March 1999 in accordance with the terms and conditions of the Research and Development Agreement dated 30 June 1993.

No dividends were received or receivable by any company in the group in the 2000 or 1999 financial years.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: PLANT AND EQUIPMENT

	CONSOLIDATED		THE COMPANY	
	2000 $	1999 $	2000 $	1999 $
Leased plant, equipment and motor vehicles capitalised	484,451	484,451	484,451	484,451
Less: Accumulated amortisation	273,700	230,808	273,700	230,808
	210,751	253,643	210,751	253,643
Plant and equipment at cost	464,318	459,877	363,209	358,768
Less: Accumulated depreciation	457,203	403,140	326,880	305,928
	7,115	56,737	36,329	52,840
Total plant, equipment – net book value	217,866	310,380	247,080	306,483

NOTE 8: OTHER NON CURRENT ASSETS

Exploration and/or evaluation expenditure, at cost	348,452	263,191	348,452	166,876
Deduct: Joint Venture forward funding	–	(240,488)	–	–
	348,452	22,703	348,452	166,876
Mineral Technology Development expenditure, at cost, representing expenditure after 30 June 1993	11,022,133	10,686,977	3,729,433	3,394,277
Loans – related corporations	–	–	6,494,954	6,289,192
	11,370,585	10,709,680	10,572,839	9,850,345

ERMS mineral technology development expenditure was valued independently by Mineralex Agencies Pty Limited for the year ended 30 June 1999 at $12 million based on commercial application of the technology in its then current form. This valuation exceeds the capitalised value of $11,022,133 appearing in the financial statements. Since that time a major joint venture has been signed with TICOR for the application of the technology.

NOTE 9: ACCOUNTS PAYABLE

	Note				
Current					
Trade Creditors		206,835	520,744	206,029	333,894
Lease liabilities – (Secured)	14	69,965	42,892	69,965	42,892
Directors' fees		15,000	15,000	15,000	15,000
		291,800	578,636	290,994	391,786
Non-Current					
Lease liabilities – (Secured)	14	140,786	210,751	140,786	210,751

The effective weighted average interest rate is:

- trade creditors N/A (1999: N/A)
- lease liabilities 7% (1999: 7%)

NOTE 10: PROVISIONS

	CONSOLIDATED		THE COMPANY	
	2000 $	1999 $	2000 $	1999 $
Current				
Employee entitlements	280,600	280,600	280,600	280,600
Provision for guarantee of debts of controlled entities	–	–	6,481,579	6,441,897
Provision for diminution	674,035	640,953	–	–
	954,635	921,553	6,762,179	6,722,497

NOTE 11: SHARE CAPITAL

	CONSOLIDATED AND THE COMPANY	
	2000 $	1999 $
Issued and paid up Capital		
305,192,216 (1999: 275,117,216 of $0.25 par value each) ordinary shares fully paid	35,991,795	34,001,495
19,150,000 (1999: 18,380,000 of $0.25 par value each) ordinary shares paid to $0.01	191,500	183,800
	36,183,295	34,185,295
Movements in Ordinary Share Capital		
Balance at the beginning of the financial year	34,185,295	61,827,741
Balance of share premium reserve	–	681,070
Balance of discount on share reserve	–	(26,393,691)
Balance of unpaid capital reserve	–	(3,336,873)
Shares issued:		1,407,048
Share Purchase Plan Issue – 2,700,000 ordinary shares issued for cash in September 1999	81,000	
Placement – Arrow Investment Pty Limited – 1,000,000 ordinary shares issued for services in February 2000	35,000	
Placement – Burdett, Buckeridge Young – 6,250,000 ordinary shares issued for cash in October 1999	250,000	
Placement – Shaw Stockbroking – Morgans Stockbroking 4,625,000 ordinary shares issued for cash in November 1999	185,000	
Placement – Shaw Stockbroking – ordinary shares 3,000,000 issued for cash in December 1999	150,000	
Share Purchase Plan Issue – 2,070,000 ordinary shares issued for cash in January 2000	207,000	
Placement – Wombana Pty Ltd – 200,000 ordinary shares issued for services in January 2000	20,000	
Placement – Morgan and Intersuisse – 11,000,000 ordinary shares issued for cash in January 2000	1,070,000	
	36,183,295	34,185,295

Transaction costs of $30,000 were recognised as a reduction of proceeds of issue in January 2000.

Share issues made during the year were to increase the working capital of the Company.

NOTE 12: RESERVES AND UNPAID CAPITAL

	CONSOLIDATED AND THE COMPANY 2000 $	1999 $
Share premium reserve	–	–
Discount on shares	–	–
Unpaid capital	–	–
	–	–
Movements during the year		
Balance at beginning of year	–	681,070
Share premium	–	–
Included within share capital	–	(681,070)
Balance at end of year	–	–
Discount on shares		
Balance at beginning of year	–	(26,393,691)
Discount on ordinary shares issued during year	–	–
Included within Share Capital	–	26,393,691
	–	–
Unpaid Capital		
Balance at beginning of year	–	(3,230,732)
Share Purchase Plan issues and payments	–	(106,141)
Included with Share Capital	–	3,336,873
	–	–

NOTE 13: COMMITMENTS

The estimated maximum amount of commitments not provided for in the accounts for the groups as at 30 June 2000 are set out below:

Superannuation Commitments

The Company acts as trustee for and contributes to a group employee superannuation fund, matching contributions to the fund made by employees. Employee contributions are based on various percentages of their gross salaries. After serving a qualifying period, all employees are entitled to benefits on retirements, disability or death. The fund is an accumulation type fund. The Company and other group corporations are under no legal obligation to make up any shortfall in the fund's assets to meet payments due to employees.

NOTE 14: LEASE LIABILITIES

	CONSOLIDATED		THE COMPANY	
	2000 $	1999 $	2000 $	1999 $
Included as lease liabilities are the present value of future rentals for leased assets capitalised:				
Current	69,965	42,892	69,965	42,892
Non-Current	140,786	210,751	140,786	210,751
	210,751	253,643	210,751	253,643
Lease commitments in respect of capitalised finance leases are payable as follows:				
not later than one year	87,111	60,038	87,111	60,038
later than one year but not later than five years	162,287	249,398	162,287	249,398
	249,398	309,436	249,398	309,436
Deduct: Future finance charges	38,647	55,793	38,647	55,793
Total lease liability	210,751	253,643	210,751	253,643

NOTE 15: RELATED PARTY TRANSACTIONS

The consolidated entity was provided with mineral sands consulting services by H & N Investments Pty Ltd ($18,433) (1999: $Nil), a firm of which H. Hines is a director. K. Turbott provided secretarial services ($30,000) (1999: $27,500). The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonbly be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Directors

The names of each person holding the position of Director of Austpac Resources N.L. during the financial year were Alfred Lampard Paton, Michael John Turbott and Harold Hines.

Details of Directors' shareholdings as at 30 June 2000 are as follows:

	2000		1999	
	Direct	Indirect	Direct	Indirect
Alfred Lampard Paton	–	2,612,500		2,143,000
Michael John Turbott	3,500,000	4,933,333	5,664,172	1,500,000
Harold Hines	926,834	–	961,438	–

Increase in shareholding was due to shares purchased by Directors during the year.

Directors participated in the Austpac Resources N.L. share purchase plan during the financial year at issue prices representing 95% of market price.

The share purchase plan was approved at an Annual General Meeting in November 1986. Under the plan employees and directors may participate in the issue of Austpac Resources N.L. shares issued at 95% of market price.

NOTE 16: DIRECTORS' AND EXECUTIVES' REMUNERATION

	CONSOLIDATED		THE COMPANY	
	2000 $	1999 $	2000 $	1999 $
Remuneration of Directors				
The number of directors of the Company who received income from the Company or any related party within the following band is:				
$5,000 – $10,000	–	3	–	3
$10,000 – $20,000	2	1	2	1
$90,000 – $100,000	1	1	1	1
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company, or any related party:	$128,500	$136,000	$128,500	$136,000
Remuneration of Executives				
The number of executive officers of the Company and of controlled entities, whose remuneration from the Company or related partners, and from entities in the consolidated entity, falls within the following bands:				
$90,000 – $100,000	1	1	1	1
Total income paid or payable from the Company, entities in the consolidated entity or related parties to executive officers of the Company and of controlled entities whose income is $100,000 or more:	–	–	–	–

NOTE 17: SUBSEQUENT EVENTS

In August 2000 the company placed 10,000,000 fully paid ordinary shares at 15 cents each to raise $1,500,000 for working capital. In July 2000 Austpac Resources N.L. and Ticor Limited announced that they had formed a 50/50 joint venture for the global development of Austpac's ERMS and EARS technologies for upgrading titaniferous feedstock. The joint venture will participate in the AusRutile Joint Venture which was formed in August 1999 by Austpac and Indian Rare Earths Limited (IRE) to develop ERMS synthetic rutile plants in India. A joint venture company, AusRutile India Private Limited (AusRutile) has been formed to manage the Indian operations. Austpac and Ticor will each directly hold a 37% shareholding in AusRutile and IRE will hold the balance of 26%. Ticor's participation in the project is subject to the formal approval of IRE and relevant Indian authorities.

The AusRutile project will commence with the construction of an initial plant of at least 10,000 tonnes per year of synthetic rutile adjacent to IRE's mineral sand operations at OSCOM in Orissa State.

The Joint Venture provides for a series of payments to Austpac totalling $3 million based on agreed milestones being achieved. In addition, loan funds for Austpac's share of the initial synthetic rutile plant in India will be provided by Ticor.

Once the initial plant is operating at design capacity it is envisaged that a full commercial scale plant will be built. If requested by Austpac, Ticor will also provide loan funds for Austpac's share of the development costs of this plant. The resource at OSCOM is sufficient to support a plant producing over 200,000 tonnes per year of synthetic rutile.

NOTE 18: INTEREST IN JOINT VENTURE OPERATIONS

Joint Venture percentage interests are indicated in the tenement schedule appearing in the front section of this report. All activities relate to mineral sands and mineral technology development. No mineral sands production has occurred during the current financial year. Expenditure and activity commitments relating to these joint ventures are determined by regular review of joint venture management committees in accordance with the requirements of issuing tenement.

The directors are aware of no substantial contingencies. No capital expenditure commitments are currently a part of joint venture activity other than the joint venture with Indian Rare Earths which requires $US5.7 million funding following site specific feasibility study.

Included in the assets and liabilities of the Company and the consolidated entity are the following items which represent the Company's and the consolidated entity's interest in the assets and liabilities employed in the joint ventures recorded in accordance with the methods described below.

	CONSOLIDATED		THE COMPANY	
	2000 $	1999 $	2000 $	1999 $
Non-Current Assets				
Mineral Technology Development Expenditure	11,022,133	10,686,977	3,729,433	3,394,277
Exploration and/or evaluation expenditure	348,452	546,008	348,452	–
Total Non-Current Assets	11,370,585	11,232,985	4,077,885	3,394,277
Total Assets	11,370,585	11,232,985	4,077,885	3,394,277

NOTE 19: STATEMENT OF OPERATIONS OF SEGMENTS

	BOLIVIA		NEW ZEALAND		AUSTRALIA		ELIMINATIONS		CONSOLIDATED	
	2000 $	1999 $	2000 $	1999 $	2000 $	1999 $	2000 $	1999 $	2000 $	1999 $
Total revenue	–	–	–	–	4,080	84,327	–	–	4,080	84,327
Segment operating (loss)/profit after tax	(33,111)	(21,015)	–	(2,562,368)	(1,075,987)	4,343,738	–	–	(1,109,098)	1,760,355
Segment assets	34,770	181,204	–	582,811	11,743,983	10,449,555	–	–	11,778,753	11,213,570

Industry Segments

The group operates for mineral sands and the development of mineral sands technology.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20
A: NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED		THE COMPANY	
	2000 $	1999 $	2000 $	1999 $
Reconciliation of Operating Loss after Tax to Net Cash used in Operating Activities				
Operating (loss)/profit after income tax	(1,109,098)	1,760,355	(1,109,098)	1,760,355
Add/(less) non-cash items:				
Amortisation	42,892	39,270	42,892	39,270
Amounts set aside to/(reversals from) provisions	33,082	(5,198,012)	39,682	(2,594,205)
Depreciation	54,063	41,051	20,952	24,024
Services rendered in exchange for equity	55,000	–	55,000	–
Exploration expenditure written off	–	2,579,453	–	23,966
Net cash used in operating activities before change in assets and liabilities	(924,061)	(777,883)	(950,572)	(746,590)
Change in assets and liabilities during the financial year:				
(Increase)/decrease in accounts receivable	101,958	27,763	(27,183)	10,470
(Increase)/decrease in loans to controlled entities	–	–	–	(118,872)
(Decrease)/increase in accounts payable	(313,909)	283,811	(127,865)	98,762
Net cash used in operating activities	(1,136,012)	(466,309)	(1,105,620)	(756,230)

Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheets as follows:

Cash	163,119	64,369	121,911	54,358

During the 1999 financial year the consolidated entity purchased 100% of the ordinary shares of Almeth Pty Limited.
Details of the acquisition are as follows:

Consideration	–	6,616,478	–	6,616,478
Outflow of cash	–	6,616,478	–	6,616,478
Fair value of net assets of entity acquired				
Interest in Mineral Technology Development	–	6,616,478	–	6,616,478
Outside equity interests at acquisition	–	–	–	–
Goodwill on acquisition	–	–	–	–
	–	6,616,478	–	6,616,478

NOTE 21: EARNINGS PER SHARE

Basic earnings per share	(0.004¢)	0.006¢
Weighted average number of shares used to calculate earnings per share	311,034,508	265,835,867

Diluted earnings per share is not materially different from basic earnings per share.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Austpac Resources N.L.

   a) the financial statements and notes set out on pages 15 to 28 are in accordance with the Corporations Law, including:

      i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2000 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

      ii) complying with Accounting Standards and the Corporations Regulations; and

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

A. Paton
Director

M.J. Turbott
Director

Sydney, 25 September 2000

AUDITORS' REPORT

Independent Auditors' Report to the Members of Austpac Resources N.L.

Scope

We have audited the financial report of Austpac Resources N.L. for the financial year ended 30 June 2000 consisting of the balance sheets, profit and loss statements, statements of cash flows, accompanying notes and the directors' declaration set out on pages 15 to 29. The financial report includes the consolidated financial statements of the consolidated entity, comprising the company and the entities it controlled at year's end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Austpac Resources N.L. is in accordance with:

a) the Corporations Law, including:

   i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2000 and of their performance for the year ended on that date; and

   ii) complying with Accounting Standards and the Corporations Regulations; and

b) other mandatory professional requirements.

Going Concern Concept

Without qualification to the opinion expressed above, attention is drawn to the following significant matter:

The financial report has been prepared on a going concern basis as discussed in note 1(c) which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity's ability to continue to pay its debts as and when they fall due is dependent upon the achievement of future profits, additional share issues, the successful commercialisation of mineral technologies and the joint venturing of interests held in mineral projects to provide sufficient funds to meet liabilities.

KPMG

T. van Veen
Partner

Sydney, 25 September 2000

DIRECTORS' INTERESTS

The maximum contingent liability of the group for termination benefits under service agreements with directors and persons who take part in the management of the parent entity amount to $nil at 30 June 2000. Provision has not been made in the accounts for this contingent liability.

SHAREHOLDINGS

Substantial Shareholders

The number of shares held by the substantial shareholders listed in the holding Company's register as at 11 September 2000 was: Nil.

CLASS OF SHARES AND VOTING RIGHTS

At 11 September 2000 there were 4,076 holders of the ordinary shares of the holding Company. The voting rights attaching to the ordinary shares, set out in Article 32 of the holding Company's Articles of Association, are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares –

a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and

b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he holds".

CORPORATE GOVERNANCE PRACTICES

Board of Directors

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

A description of the company's main corporate governance practices is set out below. All these practices were in place for the entire year:

- A properly constituted Board of Directors with a high independent representation drawn from the professions and industry with an independent Chairman.
- The Board elects Directors on the basis of corporate requirements and project activity. High calibre independents with substantial experience at senior levels are sought when required.
- Directors are required to retire at the age of 72. Directors achieving this age may be reappointed by a special resolution at Annual General Meetings.
- All normal committee functions are addressed by a full Board of Directors including annual review of executive remuneration.
- Any independent professional advice required is approved by the full Board.
- External audit is undertaken by a leading international firm of high repute. A policy of full disclosure is adopted for statutory audit purposes and all corporate matters are available for audit scrutiny.
- Basic risk is reviewed annually or more regularly in changed circumstances or if new areas of business are embraced.
- Company policy allows the directors to buy or sell shares within three weeks after any announcement to the Australian Stock Exchange.
- The Board meets on a strict monthly basis with full financial disclosure.

AUDIT COMMITTEE

The Company does have an Audit Committee. The Committee meets bi-annually with full financial disclosure and all matters are considered when the Committee meets in March and September of each year. The external auditors are invited to attend these meetings. The objectives of the Audit Committee are to review the financial statements and adequacy of financial controls; to review internal controls and internal reporting standards and budgetary control and the regularity and accuracy of the reports.

ADDITIONAL STOCK EXCHANGE INFORMATION

OFFICES AND OFFICERS

Company Secretary: Nicholas John Gaston

Principal Registered Office: Level 12, 23 Hunter Street, Sydney NSW 2000
Telephone: (02) 9221 3211

Location of Registers of Securities: Perpetual Registrars Limited (formerly Coopers & Lybrand)
Securities Registration Services, Coopers and Lybrand Tower,
580 George Street, Sydney, NSW 2000

DISTRIBUTION OF SHAREHOLDERS
AS AT 11 SEPTEMBER 2000

Category	No. of Ordinary Shareholders
1–1,000	144
1,001–5,000	717
5,001–10,000	615
10,001, and over	2,600
	4,076
Holders of less than a marketable parcel	3,571

The 20 largest shareholders hold 22.23% of the ordinary shares of the holding company.

20 LARGEST SHAREHOLDERS
AS AT 11 SEPTEMBER 2000

Name	No. of Ordinary Shares held	% Held To Issued Capital
GIO Personal Investment Services Limited	9,582,388	2.86
Christopher Leech	6,784,270	2.02
Midnap Pty Ltd	5,903,223	1.76
Anthony Prestia	4,950,592	1.48
Minford Pty Limited	4,300,000	1.28
Michael Turbott	3,500,000	1.04
Mr Kerry Cameron King & Mrs Christine Margaret King	3,471,000	1.04
Mrs Elena Anna Claxton	3,346,108	1.00
Nicholas John Gaston	3,330,000	0.99
Ronald William Croghan	3,250,000	0.97
Gary Koh	3,202,667	0.96
Mark S. Thompson	2,969,168	0.89
Robert Charles Claxton	2,700,000	0.81
Alfred Paton & Associates Pty Ltd	2,612,500	0.78
Notsag Pty Limited	2,600,668	0.78
Bahan Pty Ltd	2,512,910	0.75
G & J Paul Pty Limited	2,500,000	0.75
Grupo Minero Austral SRL	2,500,000	0.75
Chandos Nursing Home Pty Ltd	2,263,334	0.68
Mr Samuel Brian Crowhurst	2,194,788	0.65
Top 20 subtotal:	74,473,616	22.23