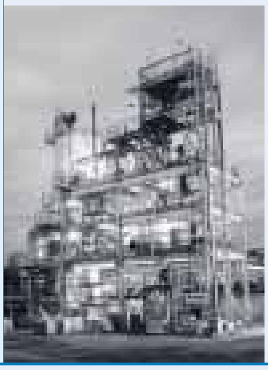
Financial Statements



CONTENTS

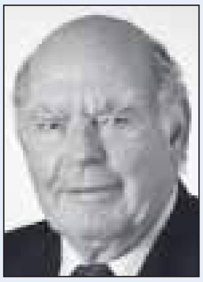
Directors' Report

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 2001 and the auditors' report thereon.

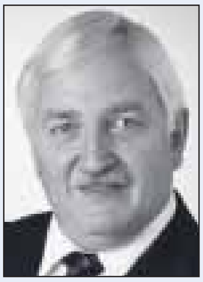
The Company was incorporated as Absolajur N.L. on 12 October 1981 and changed its name to Austpac Resources N.L. on 22 May 1985, to Austpac Gold N.L. on 17 March 1986 and finally back to Austpac Resources N.L. on 20 November 1997.

Directors

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

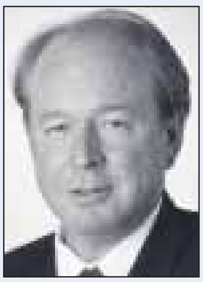


Alfred L. Paton B.Eng, FAIM, MIE, M.AusIMM, FAICD
Chairman
Age 78
Mr Paton is currently the Chairman of Oldfield Holdings Limited, Aurion Energy Limited and is also a Director of CARE Australia. Mr Paton has an engineering background and has over 50 years' experience in business including the mining 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, MAIG
Managing Director
Age 57
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 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 31 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 72
Mr. Harold Hines is the Managing Director of International Mineral Developments Pty Limited. Mr. Hines has over 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.



Terry Cuthbertson ACA
Age 51
Mr Cuthbertson is currently Executive Director of Captech Group Limited, and a non-executive Director of Open Telecommunication Limited. He was previously Group Finance Director for Tech Pacific Holdings Pty Ltd which generated over $2 billion in revenues from operations throughout the Asia-Pacific Region. From 1986 to 1995 he was a Senior Partner of KPMG, specialising in strategic and corporate advice to major corporations. Mr Cuthbertson brings extensive international corporate experience to Austpac including a practical operating knowledge of business practices and structures in India. Mr Cuthbertson was appointed a Director of Austpac Resources NL on 27 March 2001.

Directors' Report

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 Act 2001 was:

	Ordinary Shares	
	Direct	Indirect
Alfred L. Paton	–	2,612,500
Michael J. Turbott	3,701,118	3,283,333
Harold Hines	690,000	–
Terry Cuthbertson	–	250,000

In accordance with the Company's articles of association Mr. A. Paton, Mr. H. Hines and Mr T. Cuthbertson retire from the Board of Directors and being eligible, offer themselves for re-election.

DIRECTORS' MEETINGS

The number of meetings held and attended by each of the directors of the Company during the financial year are:

	Meetings attended	Meetings held during the time the director held office	Audit Committee Meetings attended	Remuneration Committee Meetings attended
Alfred L. Paton	10	10	2	1
Michael J. Turbott	10	10	2	1
Harold Hines	10	10	2	1
Terry Cuthbertson	3	3	1	1

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.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 29 August 2001 Austpac Resources N.L. and Ticor Limited announced the commencement of a study into the establishment of a synthetic rutile facility to upgrade ilmenite from the Murray Basin, Australia. The study is being conducted under the 50-50 Austpac-Ticor Joint Venture, executed in July 2000, for the worldwide application of Austpac's ERMS and EARS technologies.

It is probable that the level of ilmenite production from the Murray Basin will soon justify investment in a value-adding synthetic rutile complex. Such a facility would use the ERMS and EARS processes to upgrade the ilmenite to a preferred feedstock for the chloride-route TiO_2 pigment producers. Austpac has already confirmed through pilot plant work at Newcastle that its processes are ideally suited to the upgrading of Murray Basin ilmenites.

Murray Basin ilmenite concentrates also contain elevated levels of chromite, an impurity that is an impediment to marketing of the ilmenite. An ERMS/EARS facility could have the flexibility to remove chromite and so produce saleable ilmenite, as well as high grade synthetic rutile for export.

This initial study will examine potential plant locations within the broader Murray Basin region, raw material supply options (including ilmenite, coal or other energy sources, and water), infrastructure and Government incentives.

On 31 August 2001 a new joint venture was announced whereby Austpac Resources N.L. and Ticor Limited will undertake a phased exploration program in the Murray Basin. The program is focused on delineating coarse grained strand line heavy mineral deposits in the western half of Exploration Licence 4521 held by the Austpac-Ticor Joint Venture.

Directors' Report

The targeted exploration area is adjacent to the Douglas project, where Basin Minerals Limited has discovered multiple strand lines containing coarse grained heavy minerals. The Douglas project has a reported resource of 24 million tonnes of heavy minerals. Evaluation by Austpac of existing data, including Landsat, airborne geophysical data and intersections of coarse grained minerals from previous widely spaced drilling, indicates very good potential for the discovery of strand line deposits in the western half of the Licence.

It is expected the first stage of the program will commence in October 2001 and consist of low level airborne geophysics, close spaced drilling and sampling and analysis, undertaken over a four month period. This stage will be managed by Austpac and funded by Ticor.

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' 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 $	Consulting Fees $	Non Cash Benefits $	Super $	Total $
Mr M.J. Turbott	113,074	–	19,313	12,530	144,917
Mr A.L. Paton	22,500	7,500	–	–	30,000
Mr H.H. Hines	15,000	7,500	–	–	22,500
Mr T. Cuthbertson	3,750	3,750	–	–	7,500

The Company is managed by the Managing Director, supported by the Board of Directors.

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.

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Signed at Sydney this twenty fifth day of September 2001 in accordance with a resolution of the Board of Directors of Austpac Resources N.L

A.L. Paton
Chairman

M.J. Turbott
Managing Director

Statements of Financial Performance • Statements of Financial Position

STATEMENTS OF FINANCIAL PERFORMANCE

Austpac Resources N.L. and its controlled entities

FOR THE YEAR ENDED 30 JUNE 2001

	Note	CONSOLIDATED 2001 $	CONSOLIDATED 2000 $	THE COMPANY 2001 $	THE COMPANY 2000 $
Revenue	2	28,704	4,080	28,704	4,080
Expenses from ordinary activities					
Administration expenses		(1,567,277)	(1,062,950)	(1,567,277)	(1,056,350)
Other expenses from ordinary activities		–	(33,082)	–	(39,682)
Borrowing costs		(21,428)	(17,146)	(21,428)	(17,146)
Loss from ordinary activities before related income tax benefit	3	(1,560,001)	(1,109,098)	(1,560,001)	(1,109,098)
Income tax benefit relating to ordinary activities	5	–	–	–	–
Loss from ordinary activities after related income tax benefit	14	(1,560,001)	(1,109,098)	(1,560,001)	(1,109,098)

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 19 to 32.

STATEMENTS OF FINANCIAL POSITION

Austpac Resources N.L. and its controlled entities

AS AT 30 JUNE 2001

	Note	CONSOLIDATED 2001 $	CONSOLIDATED 2000 $	THE COMPANY 2001 $	THE COMPANY 2000 $
Current Assets					
Cash assets		617,839	163,119	576,984	121,911
Receivables	6	44,437	27,183	44,437	27,183
Total Current Assets		662,276	190,302	621,421	149,094
Non-Current Assets					
Receivables	6	–	–	7,300	6,494,954
Other financial assets	7	–	–	6,616,480	6,616,478
Plant and equipment	8	348,598	260,908	348,598	260,908
Exploration, evaluation and development expenditure	9	12,147,972	10,696,550	5,522,005	4,077,885
Total Non-Current Assets		12,496,570	10,957,458	12,494,383	17,450,225
Total Assets		13,158,846	11,147,760	13,115,804	17,599,319
Current Liabilities					
Payables	10	325,010	264,877	281,968	234,857
Interest bearing liabilities	11	70,654	69,965	70,654	69,965
Provisions	12	392,600	280,600	392,600	6,762,179
Total Current Liabilities		788,264	615,442	745,222	7,067,001
Non-Current Liabilities					
Interest bearing liabilities	11	1,028,542	140,786	1,028,542	140,786
Total Non-Current Liabilities		1,028,542	140,786	1,028,542	140,786
Total Liabilities		1,816,806	756,228	1,773,764	7,207,787
Net Assets		11,342,040	10,391,532	11,342,040	10,391,532
Equity					
Contributed equity	13	38,693,804	36,183,295	38,693,804	36,183,295
Accumulated losses	14	(27,351,764)	(25,791,763)	(27,351,764)	(25,791,763)
Total Equity		11,342,040	10,391,532	11,342,040	10,391,532

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 19 to 32.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2001	CONSOLIDATED		THE COMPANY	
	2001 $	2000 $	2001 $	2000 $
Cash Flows from Operating Activities				
Cash receipts in the course of operations		–		–
Interest Received	28,704	4,080	28,704	4,080
Cash payments in the course of operations	(1,140,237)	(1,122,946)	(1,153,161)	(1,092,554)
Interest Paid	(21,428)	(17,146)	(21,428)	(17,146)
Net cash used in operating activities (Note 22)	(1,132,961)	(1,136,012)	(1,145,885)	(1,105,620)
Cash Flows from Investing Activities				
Payment for property, plant and equipment	(27,294)	(4,441)	(27,294)	(4,441)
Payments for:				
Mineral Technology Development Expenditure and Exploration Expenditure	(597,213)	(660,905)	(590,011)	(516,732)
Net cash used in investing activities	(624,507)	(665,346)	(617,305)	(521,173)
Cash Flows from Financing Activities				
Proceeds from issue of shares	1,462,509	1,943,000	1,462,509	1,943,000
Lease payments	(48,865)	(42,892)	(48,865)	(42,892)
Repayment of/(loans to) controlled entity	–	–	6,075	(205,762)
Loan from other parties	798,544	–	798,544	–
Net cash provided by financing activities	2,212,188	1,900,108	2,218,263	1,694,346
Net increase/(decrease) in cash held	454,720	98,750	455,073	67,553
Cash at the beginning of the financial year (Note 22)	163,119	64,369	121,911	54,358
Cash at the end of the financial year (Note 22)	617,839	163,119	576,984	121,911

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 19 to 32.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2001

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 Act 2001. 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 in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Reclassification of Financial Information

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB 1018 *Statement of Financial Performance,* AASB 1034 *Financial Report Presentation and Disclosures* and the new AASB 1040 *Statement of Financial Position.*

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing accumulated losses from the face of the statement of financial performance to Note 14.

Receivables and exploration, evaluation and development expenditure previously presented within other non-current assets have been removed from previous classifications and are now disclosed as separate line items on the face of the statement of financial position.

(c) Principles of Consolidation

Controlled Entities:

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the company are shown as a separate item in the consolidated financial statements.

Joint Ventures:

A joint venture is either an entity or operation that is jointly controlled by the consolidated entity.

Joint Venture Operation:

The consolidated entity's interest in an unincorporated joint venture is brought to account by including its proportionate share of the joint venture's assets, liabilities and expenses and the consolidated entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Transactions Eliminated on Consolidation:

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with joint ventures are eliminated to the extent of the consolidated entity's interest.

(d) 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 and the consolidated entity 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.

(e) 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.

Notes to the Financial Statements

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the statement of financial performance 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 statement of financial performance.

(f) Recoverable Amount of Non-Current Assets Valued on Cost Basis

The carrying amounts of all non-current assets valued on the cost basis, 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. The write-down is recognised as an expense in the net loss in the reporting period in which it occurs. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(g) 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.

(h) 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.

(i) 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.

(j) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of anciallary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Exploration and evaluation expenditure carried forward relating to areas of interest which have not reached a stage permitting reliable assessment of economic benefits are not qualifying assets.

(k) Acquisition of Assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Notes to the Financial Statements

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Leased Assets:

Leases 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

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.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating Leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alterntive basis is more representative of the pattern of benefits to be derived from the leased property.

(l) Depreciation and Amortisation

Complex Assets:

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

Useful Lives:

All assets have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, with the exception of carried forward exploration, evaluation and development costs which is amortised on a units of production basis over the life of the economically recoverable reserves and finance lease assets which are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation/amortisation rates used for each class of asset are as follows:

	2001	2000
Property, plant and equipment	15%	15%
Leased plant, equipment and motor vehicles	10%	10%

(m) 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.

(n) 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.

Notes to the Financial Statements

(o) Provisions

Wages, Salaries, Annual Leave and Sick Leave:

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on current wage and salary rates including related on-costs.

Long Service Leave:

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

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

(p) 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 15.

(q) 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.

(r) Financing Arrangements

At the time of the financial report there existed no overdraft or other financing facilities in the Austpac Resources group.

(s) 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 using the Austpac technologies.

Other

Interest income is recognised as it accrues.

(t) 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.

(u) Payables

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.

(v) Revaluation of Non-current Assets

The consolidated entity has applied revised AASB 1041 *Revaluation of Non-Current Assets* for the first time from 1 July 2000. The standard requires each class of non-current asset to be measured on either the cost or fair value basis.

The consolidated entity has applied revised AASB 1041 as follows:

Other Financial Assets:

The company has continued to apply the cost basis of valuation for shares and units in controlled entities.

Other Non-current Assets:

The consolidated entity has continued to apply the cost basis for other non-current assets such as receivables, plant and equipment, and exploration, evaluation and development expenditure.

(w) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the Financial Statements

	CONSOLIDATED 2001 $	CONSOLIDATED 2000 $	THE COMPANY 2001 $	THE COMPANY 2000 $
NOTE 2: REVENUE FROM ORDINARY ACTIVITIES				
Other revenue from activities:				
– Interest received	28,704	4,080	28,704	4,080
NOTE 3: LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX BENEFIT				
Loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Finance charges on capitalised leases	21,428	17,146	21,428	17,146
Amortisation of leased assets	57,865	42,892	57,865	42,892
Depreciation of plant and equipment	29,505	54,063	29,505	20,952
Exploration expenditure written off	40,791	–	40,791	–
Lease rental expense:				
Operating leases	74,201	53,528	74,201	53,528
Employee Entitlements	112,000	–	112,000	–
Net expenses including movements in provisions for guarantee of controlled entities	–	–	–	39,682
Other	–	33,082	–	–
NOTE 4: AUDITORS' REMUNERATION				
Audit Services				
Auditors of the parent entity	30,500	30,000	30,500	30,000
Auditors of other group entities	–	15,000	–	–
NOTE 5: TAXATION				
Income Tax Benefit				
Prima facie income tax benefit calculated at 34% (2000: 36%) on the loss from ordinary activities	(530,400)	(399,275)	(530,400)	(399,275)
Decrease in income tax benefit due to:				
Losses not brought to account as a Future Income Tax Benefit	530,400	399,275	530,400	399,275
Income tax benefit attributable to 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.

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.

Notes to the Financial Statements

	CONSOLIDATED		THE COMPANY	
	2001 $	2000 $	2001 $	2000 $
NOTE 6: RECEIVABLES				
Current				
Other debtors (net of provision for doubtful debts – nil)	44,437	27,183	44,437	27,183
Non-current				
Loans to controlled entities	–	–	7,300	6,494,954

Loans to controlled entities are interest free with no fixed term of repayment.

The effective weighted average interest rate for receivables is Nil (2000: Nil)

NOTE 7: OTHER FINANCIAL ASSETS

Shares in controlled entities (unquoted) at cost	–	–	6,616,480	6,631,528
Less provision for diminution in value of investment in controlled entities	–	–	–	15,050
	–	–	6,616,480	6,616,478

Particulars in relation to the Company and its controlled entities

Name	Class of Share	Holding 2001 %	Holding 2000 %
The Company			
Austpac Resources N.L.		–	–
Controlled Entities			
Almeth Pty Ltd	Ord	100%	100%
Austpac Technology Pty Ltd	Ord	100%	100%
Austpac Gold New Zealand Ltd	Ord	–	100%
Austpac Gold Exploration (N.Z.) Ltd	Ord	–	100%
Auspac Bolivia S.R.L.	Ord	–	100%
Controlled Entities of Austpac Gold New Zealand Ltd			
Austpac Titanium (N.Z.) Ltd	Ord	–	100%

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.

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 were no longer required and were wound up during the financial year.

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

No dividends were received or receivable by any company in the group in the 2001 or 2000 financial years.

Notes to the Financial Statements

	CONSOLIDATED		THE COMPANY	
	2001 $	2000 $	2001 $	2000 $
NOTE 8: PLANT AND EQUIPMENT				
Leased plant, equipment and motor vehicles capitalised	456,645	484,451	456,645	484,451
Less: Accumulated amortisation	155,993	273,700	155,993	273,700
	300,652	210,751	300,652	210,751
Plant and equipment at cost	491,612	464,318	404,331	363,209
Less: Accumulated depreciation	443,666	414,161	356,385	313,052
	47,946	50,157	47,946	50,157
Total plant, equipment – net book value	348,598	260,908	348,598	260,908
Reconciliations				
Reconciliation of the carrying amount for each class of property, plant and equipment are set out below:				
Plant and Equipment				
Carrying amount at beginning of year	50,157	56,737	50,157	52,840
Additions	27,294	4,441	27,294	4,441
Depreciation	29,505	11,021	29,505	7,124
Carrying amount at end of year	47,946	50,157	47,946	50,157
Leased Plant and Equipment				
Carrying amount of beginning of year	210,751	253,643	210,751	253,643
Additions	216,759	–	216,759	–
Disposals	(68,993)	–	(68,993)	–
Amortisation	57,865	42,892	57,865	42,892
Carrying amount at end of year	300,652	210,751	300,652	210,751
NOTE 9: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE				
Exploration and/or evaluation expenditure, at cost	859,671	348,452	852,369	348,452
Mineral Technology Development expenditure, at cost	11,288,301	10,348,098	4,669,636	3,729,433
	12,147,972	10,696,550	5,522,005	4,077,885

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 $11,288,301. Since that time a major joint venture has been signed with TICOR for the application of the technology.

Notes to the Financial Statements

	Note	CONSOLIDATED 2001 $	CONSOLIDATED 2000 $	THE COMPANY 2001 $	THE COMPANY 2000 $

NOTE 10: PAYABLES

		CONSOLIDATED 2001 $	CONSOLIDATED 2000 $	THE COMPANY 2001 $	THE COMPANY 2000 $
Current					
Trade Creditors		310,010	249,877	266,968	219,857
Directors' fees payable		15,000	15,000	15,000	15,000
		325,010	264,877	281,968	234,857

The effective weighted average interest rate is:
– trade creditors N/A (2000: N/A)

NOTE 11: INTEREST BEARING LIABILITIES

	Note	CONSOLIDATED 2001 $	CONSOLIDATED 2000 $	THE COMPANY 2001 $	THE COMPANY 2000 $
Current					
Lease liabilities	16	70,654	69,965	70,654	69,965
Non-Current					
Lease liabilities	16	229,998	140,786	229,998	140,786
Other loans		798,544	–	798,544	–
		1,028,542	140,786	1,028,542	140,786

The effective weighted average interest rate is:
– Lease liabilities 7% (2000: 7%)
– Other loans 18% (2000: N/A)

In accordance with the terms and conditions of the Austpac-Ticor Joint Venture Agreement, Ticor Limited will fund Austpac share of Austpac-Ticor Joint venture projects, at the request of Austpac, by way of project loans. These loans would be repayable from future projects profits.

NOTE 12: PROVISIONS

	CONSOLIDATED 2001 $	CONSOLIDATED 2000 $	THE COMPANY 2001 $	THE COMPANY 2000 $
Current				
Employee entitlements	392,600	280,600	392,600	280,600
Provision for guarantee of debts of controlled entities	–	–	–	6,481,579
	392,600	280,600	392,600	6,762,179
The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:				
Assumed rate of increase in wage and salary rates	–	–	–	–
Discount rate	–	–	–	–
Settlement term (years)	5	5	5	5
Number of employees at year end	10	8	10	8

Notes to the Financial Statements

	Consolidated and the Company 2001 $	Consolidated and the Company 2000 $
NOTE 13: CONTRIBUTED EQUITY		
Issued and paid up Capital		
322,342,217 (2000: 305,192,216) ordinary shares fully paid	38,502,304	35,991,795
19,150,000 (2000: 19,150,000) ordinary shares paid to $0.01	191,500	191,500
341,492,217	38,693,804	36,183,295
Movements in Ordinary Share Capital		
Balance at the beginning of the financial year	36,183,295	
Shares issued:		
Placement – B.N.P. – 800,000 ordinary shares issued for services in July 2000	144,000	
Placement – Intersuisse – 10,100,001 ordinary shares issued for cash in August 2000	1,469,009	
Placement – Arrow Resources Investment Limited – 5,500,000 ordinary shares issued for acquisition of remaining 10% interest in ERMS technology – September 2000	825,000	
Placement – Arrow Resources Investment Limited – 500,000 ordinary shares issued for services in October 2000	70,000	
Share Purchase Plan – 250,000 ordinary shares issued for cash in March 2001	2,500	
	38,693,804	

Transaction costs of $45,991 were recognised as a reduction of proceeds of issue in August 2000.

Share issues made during the year were to increase the working capital of the Company and to acquire the remaining 10% interest in ERMS technology held by Rothschild.

	Consolidated and the Company 2001 $	Consolidated and the Company 2000 $
Unpaid capital	3,502,864	3,586,264

	Consolidated 2001 $	Consolidated 2000 $	The Company 2001 $	The Company 2000 $
NOTE 14: RETAINED PROFITS/ACCUMULATED LOSSES				
Accumulated losses at beginning of year	25,791,763	24,682,665	25,791,763	24,682,665
Net loss attributable to members of the parent company	1,560,001	1,109,098	1,560,001	1,109,098
Accumulated losses at the end of year	27,351,764	25,791,763	27,351,764	25,791,763

Notes to the Financial Statements

NOTE 15: COMMITMENTS

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.

	CONSOLIDATED		THE COMPANY	
	2001 $	2000 $	2001 $	2000 $
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Within one year	94,828	87,111	94,828	87,111
One year or later and no later than five years	277,038	162,287	277,038	162,287
	371,866	249,398	371,866	249,398
Joint Venture commitments				
Share of development commitments of the joint venture, not provided for, and payable	–	–	–	–
Within one year	–	–	–	–
	–	–	–	–
Exploration expenditure commitments				
In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity are required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:				
Within one year	580,000	–	580,000	–
Non-cancellable operating lease expense commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	–	–	–	–
One year or later and no later than five years	–	–	–	–
Later than five years	–	–	–	–
	–	–	–	–

The consolidated entity leases property under cancellable operating leases expiring from two to four years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental rental. Rentals are based on either movements in the Consumer Price Index or operating criteria.

Notes to the Financial Statements

	CONSOLIDATED 2001 $	CONSOLIDATED 2000 $	THE COMPANY 2001 $	THE COMPANY 2000 $

NOTE 16: LEASE LIABILITIES

	2001 $	2000 $	2001 $	2000 $
Included as lease liabilities are the present value of future rentals for leased assets capitalised:				
Current	70,654	69,965	70,654	69,965
Non-Current	229,998	140,786	229,998	140,786
	300,652	210,751	300,652	210,751
Lease commitments in respect of capitalised finance leases are payable as follows:				
not later than one year	94,828	87,111	94,828	87,111
later than one year but not later than five years	277,038	162,287	277,038	162,287
	371,866	249,398	371,866	249,398
Deduct: Future finance charges	71,214	38,647	71,214	38,647
Total lease liability	300,652	210,751	300,652	210,751

The consolidated entity leases equipment under finance leases expiring from one to four years. At the end of the lease term the consolidated entity has the option to purchase the equipment at 40% of market value.

NOTE 17: RELATED PARTY TRANSACTIONS

The consolidated entity was provided with mineral sands consulting services by H & N Investments Pty Ltd ($39,105) (2000: $18,433), a company of which H. Hines is a director, A. Paton and Associates Pty Ltd ($7,500) (2000: Nil), a company of which A. Paton is a director, and T. Cuthbertson ($3,750) (2000: Nil). K. Turbott provided secretarial services ($30,000) (2000: $30,000). 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, Harold Hines and Terry Cuthbertson.

Details of Directors' shareholdings as at 30 June 2001 are as follows:

	2001		2000	
	Direct	Indirect	Direct	Indirect
Alfred Lampard Paton	–	2,612,500	–	2,612,500
Michael John Turbott	3,701,118	3,283,333	3,500,000	4,933,333
Harold Hines	690,000	–	926,834	–
Terry Cuthbertson	–	250,000	–	–

Directors participated in the Austpac Resources N.L. Share Purchase Plan during the financial year at issue prices representing 95% of market price.

Employee Share Purchase Plan

The Employee Share Purchase Plan was approved at the Company's 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.

Notes to the Financial Statements

NOTE 18: DIRECTORS' AND EXECUTIVES' REMUNERATION

	CONSOLIDATED		THE COMPANY	
	2001 $	2000 $	2001 $	2000 $
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:				
$0 – $9,999	1	–	1	–
$10,000 – $19,999	–	2	–	2
$20,000 – $29,999	2	–	2	–
$90,000 – $99,999	–	1	–	1
$140,000 – $149,999	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:	$204,917	$128,500	$204,917	$128,500
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 – $99,999	–	1	–	1
$140,000 – $149,999	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:	1	–	1	–

NOTE 19: SUBSEQUENT EVENTS

On 29 August 2001 Austpac Resources N.L. and Ticor Limited announced the commencement of a study into the establishment of a synthetic rutile facility to upgrade ilmenite from the Murray Basin, Australia. The study is being conducted under the 50-50 Austpac-Ticor Joint Venture, executed in July 2000, for the worldwide application of Austpac's ERMS and EARS technologies.

It is probable that the level of ilmenite production from the Murray Basin will soon justify investment in a value-adding synthetic rutile complex. Such a facility would use the ERMS and EARS processes to upgrade the ilmenite to a preferred feedstock for the chloride-route TiO_2 pigement producers. Austpac has already confirmed through pilot plant work at Newcastle that its processes are ideally suited to the upgrading of Murray Basin ilmenites.

Murray Basin ilmenite concentrates also contain elevated levels of chromite, an impurity that is an impediment to marketing of the ilmenite. An ERMS/EARS facility could have the flexibility to remove chromite and so produce saleable ilmenite, as well as high grade synthetic rutile for export.

This initial study will examine potential plant locations within the broader Murray Basin region, raw material supply options (including ilmenite, coal or other energy sources, and water), infrastructure and Government incentives.

On 31 August 2001 a new joint venture was announced whereby Austpac Resources N.L. and Ticor Limited will undertake a phased exploration program in the Murray Basin. The program is focused on delineating coarse grained strand line heavy mineral deposits in the western half of Exploration Licence 4521 held by the Austpac-Ticor Joint Venture.

The targeted exploration area is adjacent to the Douglas project, where Basin Minerals Limited has discovered multiple strand lines containing coarse grained heavy minerals. The Douglas project has a reported resource of 24 million tonnes of heavy minerals. Evaluation by Austpac of existing data, including Landsat, airborne geophysical data and intersections of coarse grained minerals from previous widely spaced drilling, indicates very good potential for the discovery of strand line deposits in the western half of the Licence.

It is expected the first stage of the program will commence in October 2001 and consist of low level airborne geophysics, close spaced drilling and sampling and analysis, undertaken over a four month period. This stage will be managed by Austpac and funded by Ticor.

Notes to the Financial Statements

NOTE 20: 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.

	CONSOLIDATED		THE COMPANY	
	2001 $	2000 $	2001 $	2000 $
Non-Current Assets				
Exploration and/or evaluation expenditure	859,671	348,452	852,369	348,452

NOTE 21: STATEMENT OF OPERATIONS OF SEGMENTS

	BOLIVIA		INDIA		AUSTRALIA		CONSOLIDATED	
	2001 $	2000 $	2001 $	2000 $	2001 $	2000 $	2001 $	2000 $
Total revenue	–	–	–	–	28,704	4,080	28,704	4,080
Segment operating (loss)/profit after income tax	–	(33,111)	–	–	(1,560,001)	(1,075,987)	(1,560,001)	(1,109,098)
Segment assets	–	34,770	781,062	–	12,334,742	11,069,948	13,115,804	11,104,718

Industry Segments

The consolidated entity operates for mineral sands and the development of mineral sands technology.

Notes to the Financial Statements

NOTE 22: NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED		THE COMPANY	
	2001 $	2000 $	2001 $	2000 $
A. Reconciliation of Operating Loss after Tax to Net Cash used in Operating Activities				
Operating (loss)/profit after income tax	(1,560,001)	(1,109,098)	(1,560,001)	(1,109,098)
Add/(less) non-cash items:				
Amortisation	57,865	42,892	57,865	42,892
Amounts set aside to/(reversals from) provisions	112,000	33,082	112,000	39,682
Depreciation	29,505	54,063	29,505	20,952
Services rendered in exchange for equity	144,000	55,000	144,000	55,000
Exploration expenditure written off	40,791	–	40,791	–
Net cash used in operating activities before change in assets and liabilities	(1,175,840)	(924,061)	(1,175,840)	(950,572)
Change in assets and liabilities during the financial year:				
(Increase)/decrease in accounts receivable	(17,254)	101,958	(17,254)	(27,183)
(Increase)/decrease in loans to controlled entities	–	–	–	–
(Decrease)/increase in accounts payable	60,133	(313,909)	47,209	(127,865)
Net cash used in operating activities	(1,132,961)	(1,136,012)	(1,145,885)	(1,105,620)

B. 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:

	CONSOLIDATED		THE COMPANY	
	2001 $	2000 $	2001 $	2000 $
Cash	617,839	163,119	576,984	121,911

	CONSOLIDATED AND THE COMPANY	
	2001 $	2000 $
C. Non cash transactions		
The following non-cash transactions occurred in the year:		
1. Shares issued:		
Placement – B.N.P. 800,000 ordinary shares issued for services in July 2000	144,000	–
Placement – Arrow Resources	825,000	–
Placement – Arrow Resources	70,000	–

2. Loans to controlled entities of $6,481,579 were written off against the provision for guarantee of debts of controlled entities.

NOTE 23: EARNINGS PER SHARE

	THE COMPANY	
	2001 $	2000 $
Basic earnings per share	(0.005¢)	(0.004¢)
Weighted average number of shares used to calculate earnings per share	337,966,188	311,034,508

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

NOTE 24: FAIR VALUE OF ASSETS AND LIABILITIES

All assets and liabilities are stated at net fair value.

Directors' Declaration

DIRECTORS' DECLARATION

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

   a) the financial statements and notes set out on pages 14 to 32 are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2001 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 including the adoption of the revised AASB 1041 and the Corporations Regulations 2001; 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, twenty fifth day of September 2001

Auditors' Report

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 2001 consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes and the directors' declaration set out on pages 14 to 33. 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 Act 2001, including:

   i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and

   ii) complying with Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory professional requirements.

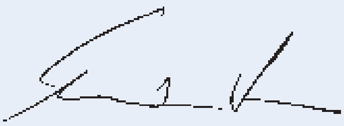
Going Concern Concept

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(d) 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 2001

Additional Stock Exchange Information

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 2001. 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 2001 was: Nil.

CLASS OF SHARES AND VOTING RIGHTS

At 11 September 2001 there were 4,000 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.

REMUNERATION COMMITTEE

The Company has a Remuneration Committee which meets annually in January.

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: A.S.X. 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 2001

Category	No. of Ordinary Shareholders
1–1,000	151
1,001–5,000	705
5,001–10,000	588
10,001, and over	2,556
	4,000
Holders of less than a marketable parcel	570

The 20 largest shareholders hold 20.32% of the ordinary shares of the holding company.

20 LARGEST SHAREHOLDERS
AS AT 11 SEPTEMBER 2001

Name	No. of Ordinary Shares held	% Held To Issued Capital
Christopher Leech	10,284,270	3.01
Midnap Pty Ltd	6,473,223	1.90
Anthony Prestia	4,950,592	1.45
Minford Pty Limited	4,500,000	1.32
Michael Turbott	3,701,118	1.08
Mr Kerry Cameron King & Mrs Christine Margaret King	3,571,000	1.05
Nicholas John Gaston	3,330,000	0.98
Gary Koh	3,202,667	0.94
Elena Anna Claxton	2,976,108	0.87
Mark S. Thompson	2,969,168	0.87
Robert Charles Claxton	2,800,000	0.82
Alfred Paton & Associates Pty Ltd	2,612,500	0.77
Bahan Pty Ltd	2,512,910	0.74
G & J Paul Pty Limited	2,500,000	0.73
Samuel Brian Crowhurst	2,394,788	0.70
BFB Pty Ltd	2,175,600	0.64
Chandos Nursing Home Pty Ltd	2,163,334	0.63
Miss Elizabeth Edith Mair	2,150,000	0.63
Greendale Investments Pty Ltd	2,052,000	0.60
TGQS Pty Limited	2,025,000	0.59
Top 20 subtotal:	69,344,278	20.32

Corporate Directory

MEMBERS OF THE BOARD

Mr Alfred L. Paton *B.Eng., FAIM, MIE, M.AusIMM, FAICD*
Chairman

Mr Michael J. Turbott *B.Sc.(Hons), FAIMM, MAIG*
Managing Director

Mr Harold Hines *FAIMM*
Director

Mr Terry Cuthbertson *ACA*
Director

SECRETARIES

Company Secretary
Mr Nicholas J. Gaston *ACIS*

GENERAL MANAGERS

Mr John C. Downie *MIE, M.AusIMM*
General Manager, Project and Technology Development
Mr Michael J. Smith *B.Sc., M.Sc., R.P. Geo., F.A.I.G., M.G.S.A., M.A.S.E.G.*
General Manager Exploration

PRINCIPAL OFFICE

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AUDITORS

KPMG, The KPMG Centre
45 Clarence Street, Sydney, NSW 2000

SOLICITORS

Allen Allen & Hemsley
Level 23, The Chifley Tower
2 Chifley Square, Sydney, NSW 2000

SHARE REGISTRY

ASX Perpetual Registrars Limited
Securities Registration Services
580 George Street, Sydney, NSW 2000

BANKERS

ANZ Bank
68 Pitt Street, Sydney, NSW 2000

STOCK EXCHANGE LISTING

Australian Stock Exchange Limited (Melbourne)

Production by Associated Print Management (02) 4344 5133

AUSTPAC RESOURCES N.L.