Financial Statements

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 2002 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.

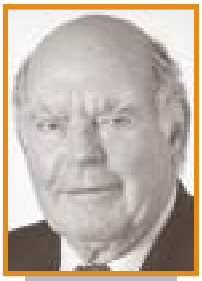
DIRECTORS

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 79



Mr Paton is currently the Chairman of Auiron 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 58

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 Lihir gold deposit 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 35 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, and has directed the development of Austpac's proprietary technologies for upgrading mineral sands and the production of ultra high grade synthetic rutile, including the application of the technologies to projects in India and Australia.

HAROLD H. HINES *FAIMM*

Age 73

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, Africa, New Zealand, Indonesia, USA and Australia. Mr Hines has been a Director of Austpac Resources N.L. since April 1996.

TERRY CUTHBERTSON *ACA*

Age 52

Mr Cuthbertson is currently 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	Ordinary Shares Indirect
Alfred L. Paton		2,962,500
Michael J. Turbott	4,701,118	3,283,333
Harold Hines	1,040,000	
Terry Cuthbertson		600,000

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:

	Board Meetings attended	Board Meetings held during the time the director held office	Audit Committee Meetings attended	Remuneration Committee Meetings attended
Alfred L. Paton	13	13	2	1
Michael J. Turbott	13	13	2	1
Harold Hines	13	13	–	1
Terry Cuthbertson	13	13	2	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 *Report on Technology and Mineral Sands* commencing in the front section of this Annual Report.

DIVIDENDS

The directors do not recommend the payment of a dividend.

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

Since the end of the 30 June 2002 financial year a new agreement has been signed with Ticor Limited which includes a non-exclusive Technology Licence and Permitted Project Exploitation Agreement to replace the July 2000 agreement.

Austpac is now free to use its technology with other parties and so has initiated discussions with a view to developing an ERMS SR plant with an annual capacity of around 30,000 tpa.

The new technology licence with Ticor covers 'permitted proejcts', which are defined as new projects that may be initiated in the future by Ticor. In return, for the licence to use the techology, Ticor will fund all project expenditure until the completion of a bankable feasibility study on each permitted project. At the time that Ticor commits to development of a permitted project, Austpac will be offered a 10% carried interest and the option to contribute to a further 20% interest in Ticor's share of the project. This will give the Company the opportunity to participate in any of Ticor's future synthetic rutile projects that use the ERMS SR process.

A second agreement has also been signed with Ticor to cover the ongoing Austpac-Ticor relationship in the AusRutile Project in Orissa, India. The AusRutile Project is being progressed through a joint venture between Austpac, Ticor and the Indian Government's mineral sands arm, Indian Rare Earths Limited (IRE).

Over the past two years the Austpac-Ticor Joint Venture has spent more than $2.5 million on pilot plant test programs, engineering feasibility and assessment work on the AusRutile Project. Under the new agreement Austpac will not be liable to repay Ticor for past expenditure on the AusRutile Project, and Ticor will fund all ongoing expenditure. In the event that a decision is made to proceed with project construction, Austpac will retain a 7.4% carried interest and have the option to contribute to an additional 14.8% interest in the AusRutile Project.

Austpac looks forward to continued involvement in the AusRutile Project with Ticor and IRE. A new agreement between the parties is proposed to cover a feasibility study and possible development of a 100,000 tpa synthetic rutile plant at Chatrapur.

Since the end of the 30 June 2002 financial year Austpac Resources N.L. and Newcrest Operations Limited have signed an agreement to explore for copper and gold within Exploration Licence 4521 immediately south of Horsham in western Victoria, which Austpac has been evaluating for heavy minerals. The exploration program will be conducted under the Horsham Joint Venture. It targets volcanic complexes in the basement rocks beneath the shallow sedimentary cover which hosts the coarse grained strandline and the fine grained WIM-type heavy mineral deposits discovered in the Murray Basin.

Newcrest will sole fund the Horsham Joint Venture through to a decision to mine. Austpac will then hold a 10% contributing interest in any resulting mine, or may elect to revert to a 2% Net Smelter Return royalty on production.

The initial exploration program will comprise approximately 100 holes drilled through the thin veneer of sediments into the basement rocks to delineate the intrusive and extrusive volcanic complexes. These volcanics have the potential to host large porphyry-style gold-copper deposits similar to those being mined by Newcrest at Cadia-Ridgeway in NSW.

The volcanic complexes were outlined by Government regional aeromagnetic and gravity surveys. They were further defined by the detailed aeromagnetic surveys commissioned by Austpac in 2001 during the search for coarse grained heavy mineral strandlines within E.L. 4521. Altered pyritised volcanics were encountered in several of the holes that reached the basement during the standline exploration drilling program. The cover sediments appear to be 25–50m thick within E.L. 4521.

Austpac and Ticor Limited were jointly granted E.L. 4521 in December 2000 to evaluate the fine grained WIM 150 deposit as well as the potential for coarse grained strandlines in the western half of the area. Ticor has withdrawn from the licence, which is now held 100% by Austpac. Austpac will continue its research and development work at the Company's Newcastle Pilot Plant on the beneficiation of the fine grained minerals from WIM 150. Austpac's main focus remains the establishment of a synthetic rutile plant using the ERMS and EARS technologies based on coarse grained ilmenite deposits in the Murray Basin or elsewhere in the world.

Since the end of the 30 June 2002 financial year Austpac Resources N.L. has placed 17,384,146 fully paid ordinary shares to raise $712,750 for working capital.

LIKELY DEVELOPMENTS

This item has been covered in the section described as *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	138,168	–	20,700	13,817	172,685
Mr A.L. Paton	25,000	15,000	–	–	40,000
Mr H.H. Hines	15,000	15,000	–	–	30,000
Mr T. Cuthbertson	15,000	15,000	–	–	30,000

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

Directors' Report

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 sixth day of September 2002 in accordance with a resolution of the Board of Directors of Austpac Resources N.L

A.L. Paton	**M.J. Turbott**
Chairman	Managing Director

Corporate Governance Statement

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.

Audit Committee

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be non-executive directors with a majority being independent. The Chairman may not be the Chairman of the Board of Directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for us by the Board in determining policies or for inclusion in the financial report.

The members of the Audit Committee during the year were:

- Mr T. Cuthbertson (Chairman)
- Mr A. Paton
- Mr H. Hines

The external auditors, the Managing Director and Company Secretary, are invited to Audit Committee meetings at the discretion of the Committee. The Committee met twice during the year.

The responsibilities of the Audit Committee include:

- reviewing the financial report and other financial information distributed externally.
- monitoring corporate risk assessment processes.
- reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles.
- monitoring the activities of the internal control function.
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management.
- reviewing the nomination and performance of the auditor. The external auditors were appointed in 1985. The lead external audit engagement partner was last rotated in 1998.
- liaising with the external auditors and ensuring that annual and half-year statutory audits are conducted in an effective manner.
- monitoring the establishment of an appropriate internal control framework and considering enhancements.
- monitoring the establishment of appropriate ethical standards.
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and Stock Exchange Listing Rules and all other regulatory requirements.
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions.
- reviewing reports on any major defalcations, frauds and thefts from the Company and ensuring that the Company's Fraud Control Plan is adhered to.
- improving the quality of the accounting function.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with then during the year as follows:

Audit Planning

- to discuss the external audit plan.
- to discuss any significant issues that may be foreseen.
- to discuss the impact of any proposed changes in accounting policies on the financial statements.
- to review the nature and impact of any changes in accounting policies adopted by the consolidated entity during the year.
- to review the fees proposed for the audit work to be performed.

Corporate Governance Statement

Prior to announcement of results

- to review the pro forma half-yearly and pro forma preliminary final report prior to lodgement of those documents with the ASX, and any significant adjustments required as a result of the audit.
- to make the necessary recommendation to the Board for the approval of these documents.

Half-yearly and annual reporting

- to review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
- to review the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval of the financial report.

Remuneration Committee

The Company has a Remuneration Committee which meets annually in January and the members of the Remuneration Committee are:

- Mr T. Cuthberton (Chairman)
- Mr A. Paton
- Mr H. Hines

In addition, the Company endeavours to ensure the following policies:

- 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.
- 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.

Statements of Financial Performance

Austpac Resources N.L. and its controlled entities

FOR THE YEAR ENDED 30 JUNE 2002	NOTE	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Revenue	2	14,011	28,704	14,011	28,704
Expenses from ordinary activities					
Administration expenses		(1,217,912)	(1,526,486)	(1,217,912)	(1,526,486)
Exploration expenditure written off		(47,802)	(40,791)	(47,802)	(40,791)
Borrowing costs		(189,929)	(21,428)	(189,929)	(21,428)
Loss from ordinary activities before related income tax benefit	3	(1,441,632)	(1,560,001)	(1,441,632)	(1,560,001)
Income tax benefit relating to ordinary activities	5	–	–	–	–
Loss from ordinary activities after related income tax benefit	14	(1,441,632)	(1,560,001)	(1,441,632)	(1,560,001)
Basic and diluted loss per ordinary share		$0.004	$0.005		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 21 to 36.

Statements of Financial Position

Austpac Resources N.L. and its controlled entities

AS AT 30 JUNE 2002	NOTE	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Current Assets					
Cash assets		444,360	617,839	444,360	576,984
Receivables	6	7,662	44,437	7,662	44,437
Total Current Assets		452,022	662,276	452,022	621,421
Non-Current Assets					
Receivables	6	–	–	7,300	7,300
Other financial assets	7	–	–	6,616,480	6,616,480
Plant and equipment	8	349,472	348,598	349,472	348,598
Exploration, evaluation and development expenditure	9	13,074,823	12,147,972	6,451,043	5,522,005
Total Non-Current Assets		13,424,295	12,496,570	13,424,295	12,494,383
Total Assets		13,876,317	13,158,846	13,876,317	13,115,804
Current Liabilities					
Payables	10	741,810	325,010	741,810	281,968
Interest bearing liabilities	11	107,732	70,654	107,732	70,654
Provisions	12	243,999	392,600	243,999	392,600
Total Current Liabilities		1,093,541	788,264	1,093,541	745,222
Non-Current Liabilities					
Interest bearing liabilities	11	1,463,117	1,028,542	1,463,117	1,028,542
Total Non-Current Liabilities		1,463,117	1,028,542	1,463,117	1,028,542
Total Liabilities		2,556,658	1,816,806	2,556,658	1,773,764
Net Assets		11,319,659	11,342,040	11,319,659	11,342,040
Equity					
Contributed equity	13	40,113,055	38,693,804	40,113,055	38,693,804
Accumulated losses	14	(28,793,396)	(27,351,764)	(28,793,396)	(27,351,764)
Total Equity		11,319,659	11,342,040	11,319,659	11,342,040

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 21 to 36.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2002	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Cash Flows from Operating Activities				
Interest Received	14,011	28,704	14,011	28,704
Cash payments in the course of operations	(826,984)	(1,140,237)	(783,942)	(1,153,161)
Interest Paid	(189,929)	(21,428)	(189,929)	(21,428)
Net cash used in operating activities (Note 22)	(1,002,902)	(1,132,961)	(959,860)	(1,145,885)
Cash Flows from Investing Activities				
Payment for property, plant and equipment	(18,936)	(27,294)	(18,936)	(27,294))
Payments for:				
Mineral Technology Development Expenditure and Exploration Expenditure	(974,653)	(597,213)	(976,840)	(590,011)
Net cash used in investing activities	(993,589)	(624,507)	(995,776)	(617,305)
Cash Flows from Financing Activities				
Proceeds from issue of shares	1,419,251	1,462,509	1,419,251	1,462,509
Lease payments	(58,174)	(48,865)	(58,174)	(48,865)
Repayment of/(loans to) controlled entity	–	–	–	6,075
Loan from other parties	461,935	798,544	461,935	798,544
Net cash provided by financing activities	1,823,012	2,212,188	1,823,012	2,218,263
Net increase/(decrease) in cash held	(173,479)	454,720	(132,624)	455,073
Cash at the beginning of the financial year (Note 22)	617,839	163,119	576,984	121,911
Cash at the end of the financial year (Note 22)	444,360	617,839	444,360	576,984

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 21 to 36.

Notes to the Financial Statements

For the year ended 30 June 2002

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) Adoption of New Accounting Standards

Earnings per share

The consolidated entity has applied AASB 1027 *Earnings Per Share* (issued June 2001) for the first time from 1 July 2001.

Basic and diluted earnings per share ('EPS') for the comparative period ended 30 June 2001 have been adjusted so that the basis of calculation used is consistent with that of the current period.

Basic earnings per share

Basic EPS earnings are now calculated as net profit or loss, rather than excluding extraordinary items.

Diluted earnings per share

Diluted EPS earnings are now calculated by only adjusting the basic EPS earnings for the after tax effect of financing.

The diluted EPS weighted average number of shares does not include any ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. There are no ordinary shares assumed to be issued for no consideration.

Segment reporting

The consolidated entity has applied the revised AASB 1005 *Segment Reporting* (issued in August 2000) for the first time from 1 July 2001.

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The new business segment reported is mineral sands and mineral sands technology development.

Comparative information has been restated for the changes in definitions of segment revenues and results. There was no financial effect of the change on the consolidated entity.

(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.

Without the equity raisings and joint venturing or sale of interests held in mineral tenements and projects referred to by the directors, there is uncertainty whether the consolidated entity will be able to continue as a going concern.

If the consolidated entity is unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities in order to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

(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.

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 income statement 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.

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:

	2002	2001
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.

(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. The licence signed with BeMaX is payable upon practical completion of the Ginkgo project in the Murray Basin, Australia.

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) 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.

	CONSOLIDATED		THE COMPANY	
	2002 $	2001 $	2002 $	2001 $

NOTE 2: REVENUE FROM ORDINARY ACTIVITIES

Other revenue from activities:				
– Interest received	14,011	28,704	14,011	28,704

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:				
Borrowing Costs				
Finance charges on capitalised leases	26,992	21,428	26,992	21,428
Interest paid re Ticor project loan	162,937	–	162,937	–
Administration Expenses				
Amortisation of leased assets	58,174	57,865	58,174	57,865
Depreciation of plant and equipment	27,780	29,505	27,780	29,505
Lease rental expense:				
Operating leases	71,213	74,201	71,213	74,201
Employee Entitlements	(148,601)	112,000	(148,601)	112,000

NOTE 4: AUDITORS' REMUNERATION

Audit Services				
Auditors of the Company	30,500	30,500	30,500	30,500

NOTE 5: TAXATION

Income Tax Benefit

Prima facie income tax benefit calculated at 30% (2001: 34%) on the loss from ordinary activities	(432,490)	(530,400)	(432,490)	(530,400)
Decrease in income tax benefit due to:				
Losses not brought to account as a Future Income Tax Benefit	432,490	530,400	432,490	530,400
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.

	CONSOLIDATED		THE COMPANY	
	2002 $	2001 $	2002 $	2001 $

NOTE 6: RECEIVABLES

Current				
Other debtors (net of provision for doubtful debts – nil)	7,662	44,437	7,662	44,437
Non-current				
Loans to controlled entities	–	–	7,300	7,300

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

The effective weighted average interest rate for receivables is Nil (2001: Nil)

NOTE 7: OTHER FINANCIAL ASSETS

Shares in controlled entities (unquoted) at cost	–	–	6,616,480	6,616,480

PARTICULARS IN RELATION TO THE COMPANY AND ITS CONTROLLED ENTITIES	CLASS OF SHARE	HOLDING	
		2002 %	2001 %
The Company			
Austpac Resources N.L.		–	–
Controlled Entities			
Almeth Pty Ltd	Ord	100%	100%
Austpac Technology Pty Ltd	Ord	100%	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.

No dividends were received or receivable by any company in the group in the 2002 or 2001 financial years.

	CONSOLIDATED		THE COMPANY	
	2002 $	2001 $	2002 $	2001 $

NOTE 8: PLANT AND EQUIPMENT

Leased plant, equipment and motor vehicles capitalised	442,751	456,645	442,751	456,645
Less: Accumulated amortisation	(132,381)	(155,993)	(132,381)	(155,993)
	310,370	300,652	310,370	300,652
Plant and equipment at cost	510,548	491,612	423,267	404,331
Less: Accumulated depreciation	(471,446)	(443,666)	(384,165)	(356,385)
	39,102	47,946	39,102	47,946
Total plant, equipment – net book value	349,472	348,598	349,472	348,598

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	47,946	50,157	47,946	50,157
Additions	18,936	27,294	18,936	27,294
Depreciation	(27,780)	(29,505)	(27,780)	(29,505)
Carrying amount at end of year	39,102	47,946	39,102	47,946
Leased Plant and Equipment				
Carrying amount of beginning of year	300,652	210,751	300,652	210,751
Additions	67,892	216,759	67,892	216,759
Disposals	–	(68,993)	–	(68,993)
Amortisation	(58,174)	(57,865)	(58,174)	(57,865)
Carrying amount at end of year	310,370	300,652	310,370	300,652

NOTE 9: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Exploration and/or evaluation expenditure, at cost	1,406,591	859,671	1,398,923	852,369
Mineral Technology Development expenditure, at cost	11,668,232	11,288,301	5,052,120	4,669,636
	13,074,823	12,147,972	6,451,043	5,522,005

ERMS mineral technology development expenditure was valued independently by Mineralex Agencies Pty Limited for the year ended 30 June 2002 at $15.7 million based on commercial application of the technology in its current form. This valuation exceeds the capitalised value of $11,668,232.

	NOTE	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $

NOTE 10: PAYABLES

	NOTE	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Current					
Trade Creditors		741,810	310,010	741,810	266,968
Directors' fees payable		–	15,000	–	15,000
		741,810	325,010	741,810	281,968

The effective weighted average interest rate is:

– trade creditors N/A (2001: N/A)

NOTE 11: INTEREST BEARING LIABILITIES

	NOTE	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Current					
Lease liabilities	16	107,732	70,654	107,732	70,654
Non-Current					
Lease liabilities	16	202,638	229,998	202,638	229,998
Other loans		1,260,479	798,544	1,260,479	798,544
		1,463,117	1,028,542	1,463,117	1,028,542

The effective weighted average interest rate is:

– Lease liabilities 7% (2001: 7%)

– Other loans 18% (2001: 18%)

Other loans relate to project financing arrangements for India which will be secured over project assets upon completion of development and will be repaid from Indian project profits.

NOTE 12: PROVISIONS

	NOTE	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Current					
Employee entitlements		243,999	392,600	243,999	392,600
Number of employees at year end		10	10	10	10

	Consolidated and the Company 2002 $	2001 $
NOTE 13: CONTRIBUTED EQUITY		
ISSUED AND PAID UP CAPITAL		
341,976,833 (2001: 322,342,217) ordinary shares fully paid	39,874,555	38,502,304
23,850,000 (2001: 19,150,000) ordinary shares paid to $0.01	238,500	191,500
365,826,833	40,113,055	38,693,804
Movements in Ordinary Share Capital		
Balance at the beginning of the financial year	38,693,804	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
Placement – Intersuisse – 15,000,000 ordinary shares issued for cash in October 2001 at 8 cents each	1,071,001	
Share Purchase Plan – 4,700,000 ordinary shares issued for cash in November 2001 at 8.5 cents each paid to 1 cent each	47,000	
Placement – 4,634,616 ordinary shares issued for cash in June 2002 at 6.5 cents each	301,250	
	40,113,055	38,693,804

Transaction costs of $56,999 were recognised as a reduction of proceeds of issue in October 2001.
Share issues made during the year were to increase the working capital of the Company.

Terms and Conditions

Holders of ordinary shares are entitled to receive dividends if declared and are entitled to one vote per share at shareholders meetings.

Holders of Austpac Resources N.L. Share Purchase Plan shares are entitled to the same rights as ordinary shareholders once the shares are paid in full. In the event of winding up, ordinary shareholders rank after creditors.

	Consolidated 2002 $	Consolidated 2001 $	The Company 2002 $	The Company 2001 $
NOTE 14: RETAINED PROFITS/ACCUMULATED LOSSES				
Accumulated losses at beginning of year	27,351,764	25,791,763	27,351,764	25,791,763
Net loss attributable to members of the parent company	1,441,632	1,560,001	1,441,632	1,560,001
Accumulated losses at the end of year	28,793,396	27,351,764	28,793,396	27,351,764

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	
	2002 $	2001 $	2002 $	2001 $
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Within one year	–	94,828	–	94,828
One year or later and no later than five years	–	277,038	–	277,038
	–	371,866	–	371,866
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	300,000	580,000	300,000	580,000

The consolidated entity leases property under cancellable operating leases expiring under monthly arrangements. 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.

	CONSOLIDATED		THE COMPANY	
	2002 $	2001 $	2002 $	2001 $

NOTE 16: LEASE LIABILITIES

Included as lease liabilities are the present value of future rentals for leased assets capitalised:				
Current	107,732	70,654	107,732	70,654
Non-Current	202,638	229,998	202,638	229,998
	310,370	300,652	310,370	300,652
Lease commitments in respect of capitalised finance leases are payable as follows:				
not later than one year	128,815	94,828	128,815	94,828
later than one year but not later than five years	243,055	277,038	243,055	277,038
	371,870	371,866	371,870	371,866
Deduct: Future finance charges	61,500	71,214	61,500	71,214
Total lease liability	310,370	300,652	310,370	300,652

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 ($31,033) (2001: $39,105), a company of which H. Hines is a director, A. Paton and Associates Pty Ltd ($15,000) (2001: $7,500), a company of which A. Paton is a director, and T. Cuthbertson ($15,000) (2001: $3,750). K. Turbott provided secretarial services ($30,000) (2001: $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 2002 are as follows:

	2002		2001	
	Direct	Indirect	Direct	Indirect
Alfred Lampard Paton	–	2,962,500	–	2,612,500
Michael John Turbott	4,701,118	3,283,333	3,701,118	3,283,333
Harold Hines	1,040,000		690,000	–
Terry Cuthbertson		600,000	–	250,000

Directors participated in the Austpac Resources N.L. Employee Share Purchase Plan during the financial year at issue prices representing 95% of market price. This issue was approved at the Company Annual General Meeting on 15 November 2001.

Austpac Resources N.L. Share Purchase Plan

The Austpac Resources N.L. 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.

	CONSOLIDATED		THE COMPANY	
	2002 $	2001 $	2002 $	2001 $

NOTE 18: DIRECTORS' AND EXECUTIVES' REMUNERATION

Remuneration of Directors

	2002 $	2001 $	2002 $	2001 $
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
$20,000 – $29,999			–	2
$30,000 – $39,999			2	–
$40,000 – $49,999			1	–
$140,000 – $149,999			–	1
$170,000 – $179,999			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:	$272,685	$204,917	$272,685	$204,917

Remuneration of Executives

	2002 $	2001 $	2002 $	2001 $
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:				
$140,000 – $149,999	–	1	–	1
$170,000 – $179,999	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:	$172,685	$144,917	$172,685	$144,917

NOTE 19: SUBSEQUENT EVENTS

Since the end of the 30 June 2002 financial year a new agreement has been signed with Ticor Limited which includes a non-exclusive Technology Licence and Permitted Project Exploitation Agreement to replace the July 2000 agreement.

Austpac is now free to use its technology with other parties and so has initiated discussions with a view to developing an ERMS SR plant with an annual capacity of around 30,000 tpa.

The new technology licence with Ticor covers 'permitted projects', which are defined as new projects that may be initiated in the future by Ticor. In return, for the licence to use the techology, Ticor will fund all project expenditure until the completion of a bankable feasibility study on each permitted project. At the time that Ticor commits to development of a permitted project, Austpac will be offered a 10% carried interest and the option to contribute to a further 20% interest in Ticor's share of the project. This will give the Company the opportunity to participate in any of Ticor's future synthetic rutile projects that use the ERMS SR process.

A second agreement has also been signed with Ticor to cover the ongoing Austpac-Ticor relationship in the AusRutile Project in Orissa, India. The AusRutile Project is being progressed through a joint venture between Austpac, Ticor and the Indian Government's mineral sands arm, Indian Rare Earths Limited (IRE).

Over the past two years the Austpac-Ticor Joint Venture has spent more than $2.5 million on pilot plant test programs, engineering feasibility and assessment work on the AusRutile Project. Under the new agreement Austpac will not be liable to repay Ticor for past expenditure on the AusRutile Project, and Ticor will fund all ongoing expenditure. In the event that a decision is made to proceed with project construction, Austpac will retain a 7.4% carried interest and have the option to contribute to an additional 14.8% interest in the AusRutile Project.

Austpac looks forward to continued involvement in the AusRutile Project with Ticor and IRE. A new agreement between the parties is proposed to cover a feasibility study and possible development of a 100,000 tpa synthetic rutile plant at Chatrapur.

Since the end of the 30 June 2002 financial year Austpac Resources N.L. and Newcrest Operations Limited have signed an agreement to explore for copper and gold within Exploration Licence 4521 immediately south of Horsham in western Victoria, which Austpac has been evaluating for heavy minerals. The exploration program will be conducted under the

Horsham Joint Venture. It targets volcanic complexes in the basement rocks beneath the shallow sedimentary cover which hosts the coarse grained strandline and the fine grained WIM-type heavy mineral deposits discovered in the Murray Basin.

Newcrest will sole fund the Horsham Joint Venture through to a decision to mine. Austpac will then hold a 10% contributing interest in any resulting mine, or may elect to revert to a 2% Net Smelter Return royalty on production.

The initial exploration program will comprise approximately 100 holes drilled through the thin veneer of sediments into the basement rocks to delineate the intrusive and extrusive volcanic complexes. These volcanics have the potential to host large porphyry-style gold-copper deposits similar to those being mined by Newcrest at Cadia-Ridgeway in NSW.

The volcanic complexes were outlined by Government regional aeromagnetic and gravity surveys. They were further defined by the detailed aeromagnetic surveys commissioned by Austpac in 2001 during the search for coarse grained heavy mineral strandlines within E.L. 4521. Altered pyritised volcanics were encountered in several of the holes that reached the basement during the standline exploration drilling program. The cover sediments appear to be 25–50m thick within E.L. 4521.

Austpac and Ticor Limited were jointly granted E.L. 4521 in December 2000 to evaluate the fine grained WIM 150 deposit as well as the potential for coarse grained strandlines in the western half of the area. Ticor has withdrawn from the licence, which is now held 100% by Austpac. Austpac will continue its research and development work at the Company's Newcastle Pilot Plant on the beneficiation of the fine grained minerals from WIM 150. Austpac's main focus remains the establishment of a synthetic rutile plant using the ERMS and EARS technologies based on coarse grained ilmenite deposits in the Murray Basin or elsewhere in the world.

Since the end of the 30 June 2002 financial year Austpac Resources N.L. has placed 17,384,146 fully paid ordinary shares to raise $712,750 for working capital.

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.

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	
	2002 $	2001 $	2002 $	2001 $
Non-Current Assets				
Exploration and/or evaluation expenditure	1,406,590	859,671	1,398,923	852,369

NOTE 21: SEGMENT REPORTING

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business Segments

The consolidated entity comprises one main business segment, based on the consolidated entity's management reporting system – Mineral sands and mineral sands technology development.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity's business segments operate geographically as follows:

Australia: Mineral sands and technology development

India: Mineral sands and technology development

PRIMARY REPORTING GEOGRAPHIC SEGMENTS	INDIA		AUSTRALIA		CONSOLIDATED	
	2002 $	2001 $	2002 $	2001 $	2002 $	2001 $
Revenue						
External segment revenue	–	–	–	–	–	–
Inter-segment revenue	–	–	–	–	–	–
Total segment revenue					–	–
Other unallocated revenue					14,011	28,704
Total revenue					14,011	28,704
Result						
Segment result	(162,937)	–	(47,802)	(40,791)	(210,739)	(40,791)
Share of net profit or loss/result of equity accounted investments					–	–
Unallocated corporate expenses					(1,230,893)	(1,519,210)
Loss from ordinary activities before income tax					(1,441,632)	(1,560,001)
Income tax expense					–	–
Loss from ordinary activities after income tax					(1,441,632)	(1,560,001)
Extraordinary items after tax					–	–
Net loss					(1,441,632)	(1,560,001)
Depreciation and amortisation	–	–	(85,954)	(87,370)	(85,954)	(87,370)
Non-cash expenses other than depreciation and amortisation	–	–	–	–	–	–
Individually significant items	–	–	–	–	–	–
Assets						
Segment assets	1,257,179	781,062	12,619,140	12,377,784	13,876,317	13,158,846
Equity accounted investments					–	–
Unallocated corporate assets					–	–
Consolidated total assets					13,876,317	13,158,846
Liabilities						
Segment liabilities	1,158,410	798,544	1,398,248	1,018,262	2,556,658	1,816,806
Unallocated corporate liabilities					–	–
Consolidated total liabilities					2,556,658	1,816,806
Acquisitions of non-current assets	–	–	–	–	–	–

	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $

NOTE 22: NOTES TO THE STATEMENT OF CASH FLOWS

A. Reconciliation of Operating Loss after Tax to Net Cash used in Operating Activities

	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Operating (loss)/profit after income tax	(1,441,632)	(1,560,001)	(1,441,632)	(1,560,001)
Add/(less) non-cash items:				
Amortisation	58,174	57,865	58,174	57,865
Amounts set aside to/(reversals from) provisions	(148,601)	112,000	(148,601)	112,000
Depreciation	27,780	29,505	27,780	29,505
Services rendered in exchange for equity	–	144,000	–	144,000
Exploration expenditure written off	47,802	40,791	47,802	40,791
Net cash used in operating activities before change in assets and liabilities	(1,456,477)	(1,175,840)	(1,456,477)	(1,175,840)
Change in assets and liabilities during the financial year:				
(Increase)/decrease in accounts receivable	36,775	(17,254)	36,775	(17,254)
(Decrease)/increase in accounts payable	416,800	60,133	459,842	47,209
Net cash used in operating activities	(1,002,902)	(1,132,961)	(959,860)	(1,145,885)

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 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Cash	444,360	617,839	444,360	576,984

C. Non cash financing activities

The Company acquired leased plant and equipment amounting to $67,892 (2001: $216,759) by way of finance leases during the financial year.

NOTE 23: EARNINGS PER SHARE

	THE COMPANY 2002 $	THE COMPANY 2001 $
Basic and diluted earnings	1,441,632	1,560,001
Weighted average number of shares used to calculate basic and diluted earnings per share	354,167,285	337,966,188
Basic and diluted earnings per ordinary share	(0.004¢)	(0.005¢)

NOTE 24: FAIR VALUE OF ASSETS AND LIABILITIES

All assets and liabilities are stated at net fair value.

Directors' Declaration

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

   a) the financial statements and notes set out on pages 20 to 36 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 2002 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 in Australia 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 sixth day of September 2002

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 2002 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 20 to 37. 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 in Australia and statutory requirements 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 2002 and of their performance for the year ended on that date; and

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

b) other mandatory professional requirements in Australia.

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.

Note 1(d) discusses a matter that may affect the ability of the consolidated entity to continue as a going concern. In that note, the directors state their opinion as to why they consider the going concern basis used in the preparation of the financial report is appropriate. Without the equity raisings and joint venturing or sale of interests held in mineral tenements and projects referred to by the directors, there are uncertainties as to whether the consolidated entity will be able to continue as a going concern.

If the consolidated entity is unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities in order to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

In our opinion, knowledge of these uncertainties affecting the consolidated entity's ability to continue as a going concern is necessary for a proper understanding of the financial report.

KPMG.

KPMG

T. van Veen
Partner

Sydney, 30 September 2002

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 2002. 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 2002 was: Nil.

CLASS OF SHARES AND VOTING RIGHTS

At 11 September 2002 there were 3,892 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".

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

Austpac Resources N.L. is an Australian incorporated listed public no liability Company domiciled in Australia.

Additional Stock Exchange Information

DISTRIBUTION OF SHAREHOLDERS as at 11 September 2002

Category	No. of Ordinary Shareholders
1–1,000	149
1,001–5,000	673
5,001–10,000	584
10,001–100,000	1,906
100,001 and over	580
	3,892
Holders of less than a marketable parcel	1,071

The 20 largest shareholders hold 21.26% of the ordinary shares of the holding company.

20 LARGEST SHAREHOLDERS as at 11 September 2002

Name	No. of Ordinary Shares held	% Held To Issued Capital
Christopher Leech	11,101,215	3.03
Midnap Pty Ltd	6,773,223	1.85
Citicorp Nominees Pty Ltd	5,755,118	1.57
Anthony Prestia	4,950,592	1.35
Minford Pty Limited	4,500,000	1.23
Michael Turbott	4,500,000	1.23
Gary Koh	4,202,667	1.15
Nicholas John Gaston	3,330,000	0.91
Mr Kerry Cameron King and Mrs Christine Margaret King	3,571,000	0.98
Alfred Paton & Associates Pty Ltd	2,962,500	0.81
Elena Anna Claxton	2,934,108	0.80
Mark S. Thompson	2,854,834	0.78
Notsag Pty Ltd	2,826,779	0.77
David Lawrence Kent Clement	2,730,000	0.75
G & J Paul Pty Limited	2,650,000	0.72
Robert Charles Claxton	2,552,000	0.70
Bahan Pty Ltd	2,512,910	0.69
Mark Andrew Caine	2,466,791	0.67
Samuel Brian Crowhurst	2,394,788	0.66
B.F.B. Pty Ltd	2,225,600	0.61
Top 20 subtotal:	77,794,125	21.26

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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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

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