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QUARTERLY REPORT TO 31 DECEMBER 2000

HIGHLIGHTS

- The Board of Indian Rare Earths Limited has given formal approval to the entry of Ticor Limited to the AusRutile Joint Venture. The Boards of Austpac and Ticor have also approved the agreement. Ticor is now a 37% shareholder in AusRutile India, with Austpac and IRE holding 37% and 26% respectively. AusRutile intends to develop a synthetic rutile complex based on a large, high-grade mineral sand deposit at Chatrapur in the State of Orissa, India.

- The scope of the AusRutile project in India has been expanded. The initial plant will produce 10,000 tpa of synthetic rutile using the ERMS process and it will now include a dedicated acid regeneration plant using the EARS process. AusRutile plans to commence construction of the initial plant during the second half of 2001, with first production in 2002, as a first step toward a much larger synthetic rutile plant. The Chatrapur deposit could support a synthetic rutile complex producing 200,000 tpa for over 30 years.

- Exploration Licence 4521, which covers WIM 150 and adjacent heavy mineral resources in the Victorian sector of the Murray Basin, was granted in December 2000. Austpac has now received approvals to take a bulk sample of heavy mineral sand from the very large, fine-grained WIM 150 deposit. During the first half of 2001 Austpac will process this sample at its pilot plant to produce a marketable synthetic rutile from the fine-grained ilmenite.

- Negotiations are well advanced to grant a licence to a corporation in the TiO_2 industry to use the ERMS process to reduce chrome levels in Murray Basin ilmenite concentrates.

- Austpac is also pursuing additional opportunities in the Murray Basin and internationally to expand its TiO_2 interests.

AUSRUTILE PROJECT, INDIA

During December 2000, the Board of Directors of Indian Rare Earths Limited (IRE) approved the entry of Ticor Limited to the AusRutile Joint Venture. AusRutile India Private Limited, an Indian joint venture company in which Ticor will hold a 37% interest, Austpac a 37% interest and IRE a 26% interest, will manage the project.

AusRutile plans to construct a 10,000 tpa fully integrated synthetic rutile plant adjacent to IRE's OSCOM project in Orissa. The plant will use Austpac's ERMS synthetic rutile and EARS acid regeneration processes, and will purchase ilmenite from OSCOM.

Ausenco Limited of Brisbane has been commissioned to complete the detailed design and final costing of the integrated plant and they conducted site inspections in January 2001. IRE has allocated a 13 hectare site within the OSCOM area, which is sufficient for both the initial 10,000 tpa plant and its future expansion up to 200,000 tpa. Jacobs H&G of Mumbai, India, is being commissioned to conduct geotechnical, environmental and other site-related studies. Design work and relevant project approvals are scheduled for finalisation during the first half of 2001, which would allow plant construction to commence during the second half of 2001, with first production in 2002. Austpac's share of this plant and of project-related expenditure since March 2000 is being funded by a project loan from Ticor under the Austpac-Ticor Joint Venture. This joint venture covers the worldwide exploitation of Austpac's synthetic rutile technologies. Ticor will reimburse Austpac for expenditure to date on the Indian project.

The revised joint venture arrangements give AusRutile access to sufficient resources to support a 200,000 tpa operation. The AusRutile joint venturers envisage expanding operations once the first plant has demonstrated the technical and financial viability of the ERMS and EARS processes and produced sufficient synthetic rutile for TiO_2 pigment manufacturers to enter into forward sales contracts for AusRutile's high grade synthetic rutile. TiO_2 market analysts predict a shortfall of chlorinatable feedstock by 2005. AusRutile aims to meet part of this shortfall.

MURRAY BASIN

Chrome Removal from Murray Basin Ilmenite

Over the past two years Austpac has demonstrated that the ERMS process is ideally suited for chrome removal from Murray Basin ilmenite concentrates. A major test work program will be undertaken for one group at our Newcastle pilot plant during the first quarter of 2001 as part of a feasibility study to produce a premium ilmenite for TiO_2 pigment manufacture. Negotiations for a licence to use the ERMS process to upgrade ilmenite are well advanced.

Synthetic Rutile from the WIM 150 Resource

On 1 December 2000, the Victorian Minister for Energy and Resources granted Exploration Licence 4521. This licence contains the WIM 150 resource, as well as other fine-grained WIM-type heavy mineral accumulations (the WIM 150 Extended located west of WIM 150, the Nathan prospect (part) and the MacKenzie prospect). These deposits were delineated by CRA Exploration/Rio Tinto during their Murray Basin exploration program. EL 4521 also has potential for coarser grained strandline heavy mineral deposits, but Austpac will initially focus on the large fine-grained WIM 150 deposit.

The first year's program includes excavation to obtain a bulk sample of the heavy minerals. Approvals for the excavation have been obtained from Horsham Rural City Council, the Department of Natural Resources and Environment, and from the property owner at the proposed site. Test work on the concentrates will be conducted at Austpac's pilot plant in Newcastle during the next two quarters with the object of producing a marketable synthetic rutile product from fine-grained ilmenite. Ultimately, products from this test work will be made available for evaluation by TiO_2 pigment manufacturers.

NOTE: This report is based on and accurately reflects information compiled by M.J. Turbott who is a member of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists and is a competent person as defined in the Australian Code for Reporting of Identified Mineral Resources and Ore Reserves.