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## QUARTERLY REPORT TO 31 DECEMBER 1999

### HIGHLIGHTS

- Austpac is now at an advanced stage of negotiations with a major corporation for the funding and development of ERMS synthetic rutile plants in India. Due diligence is currently underway and site visits to India have been carried out.
- Ausenco Limited continued work on the design and final capital cost estimate for the Indian plant. Definitive pilot plant testwork on Indian ilmenite will be completed in February and the study will be completed during the second quarter.
- In early January, Iscor of South Africa announced that they were likely to proceed with their US\$300 million heavy minerals project in KwaZulu-Natal province. A final decision is likely in early March. In 1998 Austpac licensed its technologies to Iscor, and the licences are effective upon that project's development.
- The company placed 8 million shares to raise \$350,000 for working capital.

### INDIAN SYNTHETIC RUTILE PLANT

As reported last quarter, Austpac signed an agreement with Indian Rare Earths Limited (IRE), the Indian Government's mineral sand arm, to finalise engineering studies and build a 10,000 tpa ERMS synthetic rutile plant in Orissa State, in India. An Indian joint venture company, AusRutile India Pvt. Limited has been formed, in which Austpac and IRE will hold a 74% and 26% interest respectively. AusRutile will construct the plant adjacent to IRE's Orissa Sands Complex (OSCOM), where existing ilmenite production, acid regeneration and other facilities will assist implementation of the project.

Ausenco Limited of Brisbane was commissioned last quarter to undertake a site specific study. Their engineers have visited Orissa and a suitable plant site has been selected to allow expansion of the facilities in the future. Definitive testwork on a bulk sample of OSCOM ilmenite has been underway since November at Austpac's newly integrated pilot plant at Kooragang Island, Newcastle.

In December several testwork campaigns were successfully completed, observed by senior technical personnel from IRE. The final campaign, now underway, will be completed in early February. This will provide Ausenco with sufficient technical data to finalise plant design and costing for the 10,000 tpa plant, which will take about 12 weeks. Preliminary estimates completed last year indicated the plant would cost around US\$5.3 million. The Ausenco study will also evaluate expanding the initial plant to 15,000 tpa at minimal incremental cost, which would significantly improve the economics of the initial plant.

Government approvals and registrations for the AusRutile project are well advanced and should be completed during the second quarter of 2000, and plant construction could commence during the second half of this year with first production in 2001.

The resource base at OSCOM is sufficient to support the production of 250,000 tpa of synthetic rutile for over 30 years. Once the initial plant is in operation, it is envisaged that operations will be expanded by at least a further 100,000 tpa.

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.